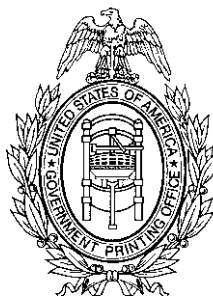




United States Government Printing Office

Annual Report
Fiscal Year 1998

Keeping America Informed



UNITED STATES
GOVERNMENT
PRINTING
OFFICE

ANNUAL REPORT
FISCAL YEAR 1998



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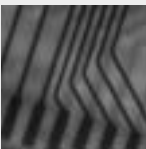
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Public Printer's Message

For the Government Printing Office (GPO), fiscal year 1998 began with a major, congressionally-ordered management review that revealed strong support for our operations. It ended in an avalanche of activity associated with producing and disseminating the various documents delivered by Independent Counsel Kenneth Starr, earning GPO widespread recognition in Congress, in the industry, and among the public for our rapid production and dissemination of these materials in both print and electronic formats. In between, *GPO Access*, our popular online information service (www.access.gpo.gov), was recognized by Vice President Gore as one of the best "Feds on the Web," and we made major strides in the computerized equipment modernization of our plant. In spite of the continued transition of our mission from traditional print-based production to the provision of information services in multiple formats, we ended fiscal year 1998 with consolidated net income for the second consecutive year, and our financial statements were once again found to meet the highest standards by an independent financial auditor.



The positive results of fiscal year 1998 can be attributed entirely to the efforts of the men and women of GPO, and I am extremely proud of what they were able to achieve. The skilled work of GPO's dedicated employees enables Congress to function smoothly and allows Federal agencies to fulfill their responsibilities effectively. Most importantly, their work makes it possible for the Federal Government to keep America informed. We look forward to the challenge of continuing to fulfill this important responsibility with new technology solutions as we approach the opening of the 21st century.

Michael F. DiMario

MICHAEL F. DiMARIO
Public Printer
April 1999

The Government Printing Office

Keeping America Informed

GPO is at the forefront in providing Government information through a wide range of formats, including printing, microfiche, CD-ROM, and online technology through *GPO Access* (www.access.gpo.gov).

The Government Printing Office (GPO) keeps America informed. For nearly 140 years, GPO has produced and distributed Federal Government information products. Whether providing public access to Government information online, or producing or procuring printed publications, GPO has combined conventional technology with state-of-the-art methods for supporting nearly all the information needs of the Congress, Federal agencies, and the American public.

Role In Government

GPO is part of the legislative branch of the Federal Government. The Public Printer, who serves as GPO's chief officer, is nominated by the President and confirmed by the Senate. GPO operates under the authority of the public printing and documents chapters of Title 44 of the U.S. Code.

Created primarily to satisfy the printing needs of Congress, GPO today is the focal point for printing, binding, and information dissemination for the entire Federal community. In addition to Congress, approximately 130 Federal departments and agencies rely on GPO's services. Congressional documents, Federal regulations and reports, IRS tax forms and U.S. passports—all are produced by or through GPO. At one time GPO's mission was accomplished through the production and procurement of tradition-

al ink-on-paper printing. Today, after more than a generation's experience with electronic printing systems, GPO is at the forefront in providing Government information through a wide range of formats, including printing, microfiche, CD-ROM, and online technology through *GPO Access* (www.access.gpo.gov).

Facilities And Personnel

Carrying out GPO's mission takes the skills and dedication of a workforce of more than 3,300 employees nationwide. Most are based at GPO's central office facility in the Nation's Capital, making GPO the largest industrial employer in the District of Columbia. Also located in the National Capital area are two warehouses, one for paper and the other for publications. Across the country, a printing plant in Denver, 20 regional and satellite procurement offices, a distribution facility and bookstore in Pueblo, CO, and 23 other bookstores—each located in a major metropolitan area—complete GPO's overall structure.

Funding

Unlike most Federal agencies, GPO operates just like a business—it is reimbursed by its customers for the cost of the work it performs. In FY 1998, GPO's revenues totaled \$723 million (net after eliminations), including (before eliminations) \$658 million for printing, \$61 million for sales of publications, \$31 million for depository library and related distri-

GPO's finances are audited every year by an independent auditor, and every year they receive an "unqualified" opinion—the best that auditors can issue.

bution programs, \$5 million for distribution services reimbursed by agencies, and \$3 million from other operations. GPO's finances are audited every year by an independent auditor, and every year they receive an "unqualified" opinion—the best that auditors can issue.

Procurement Services

More than 70 percent of GPO's printing revenue is from agencies for work procured by GPO from the private sector printing industry. GPO has a long-standing partnership with America's printing industry to provide for the Government's printing needs. GPO competitively buys products and services from more than 10,000 private sector firms nationwide in one of the Government's most successful procurement programs, assuring the most cost-effective use of the taxpayers' printing dollar.

In-Plant Operations And Information Technology

GPO's in-plant facility provides highly sophisticated electronic information systems and state-of-the-art production technologies to fully support the information product needs of Congress and Federal agencies. GPO produces the *Congressional Record* overnight when Congress is in session, and bills, hearings, documents, reports, and committee prints are all produced in time to support Congress' legislative needs. Also produced in-plant is the *Federal Register*, the Government's official listing of proposed rules and regulations, as well as the *Code of Federal*

Regulations and the *Commerce Business Daily*. Other key Government documents produced at GPO include the annual *Budget of the United States* and more than 7 million U.S. passports and nearly 230 million postal cards each year. GPO's plant either uses or sells more than 60 million pounds of paper each year, and more than an estimated 100,000 tons of paper are used annually by private sector contractors performing work for GPO. All paper used by GPO and its contractors meets Federal recycled paper requirements and all GPO printing inks utilize vegetable oil content.

Beginning in the 1960's, GPO was one of the first printing organizations nationwide to pioneer the use of electronic typesetting systems in place of traditional practices. Since then, successive generations of technology have been deployed by GPO to develop electronic data bases of Government information products from which publications in both print and electronic formats are produced. New computer-to-plate technology has further updated GPO's capabilities. GPO has also been a leading producer of Government CD-ROM's for more than a decade.

Today, GPO uses electronic information technology to increase efficiency in its print production processes, facilitate electronic commerce in its printing procurement and documents sales programs, improve administrative and communications capabilities, and expand public access to Government information via the Internet and other electronic means. In December 1998, GPO was named

The Government Printing Office (continued)

the top in-plant operation in the country by *In-Plant Graphics* magazine. And in March 1999, GPO was named by *PC Week* magazine as one of the top technology innovators in the Nation.

Superintendent of Documents

Today, through the Superintendent of Documents programs, GPO disseminates the largest volume of Government informational literature in the world.

While the original job of GPO was to handle printing, responsibility for the sale and distribution of Government publications was added in 1895, when Congress passed the comprehensive printing act which became Title 44 of the U.S. Code. Today, through the Superintendent of Documents programs, GPO disseminates the largest volume of Government informational literature in the world. GPO's documents carry an average price of about \$12, although many are low cost consumer publications. Approximately 12,000 titles are available for sale to the public at any given time. These are sold principally by mail order and through 24 bookstores located in the Washington, DC, area and around the country. Publications are also sold through the Consumer Information Center in Pueblo, CO. More than 2,700 sales orders are processed every day.

To order Government publications, phone 202-512-1800, fax 202-512-2250, mail orders to Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954, or order online from www.access.gpo.gov/su_docs.

Government information in both traditional and electronic formats is also made available by GPO to more than 1,350 Federal depository libraries nationwide for the free use of the public. These libraries are designated by Members of Congress or by law as official depositories. In FY 1998, GPO distributed 14.4 million copies of approximately 39,000 tangible products in print, microform, and CD-ROM formats to depository libraries. Virtually every depository library also has access to the vast range of information made available online via *GPO Access*.

In addition, GPO distributes U.S. Government publications to more than 60 nations around the world through an International Exchange Program administered by the Library of Congress. Superintendent of Documents programs also catalog and index Government information, distribute publications as required by law, and provide a reimbursable distribution service for other Federal agencies.

GPO Access

At the forefront of GPO's electronic information dissemination capabilities is *GPO Access*. *GPO Access* is one of the few Government web sites established by law and one of the longest running, beginning operation in 1994. It is virtually the only Government website that provides easy, one-stop, no-fee access to information from all three branches of the Government.

Approximately 70 applications make information available from more than 1,000 databases, representing more than 92,000 individual titles. *GPO Access* also provides links to an additional 45,000 titles on other Federal websites. Overall, more than 277.5 million documents have been retrieved by the public from *GPO Access* since 1994. Monthly document retrievals today average more than 19 million, or about 836 gigabytes of information.

Government's finest agencies—one dedicated to informing the Nation and providing its customers in the Government and the public with quality and service. This is a reputation that GPO's workforce carries with pride as it looks to the challenges and opportunities of the new millennium.

**For more information,
contact GPO's Office of
Congressional, Legislative,
and Public Affairs,
phone 202-512-1991,
or e-mail gpoinfo@gpo.gov.**

**In 1998, *GPO Access*
was named one of the 15
“Best Feds on the Web”
by Vice President Al Gore
and *Government Executive*
magazine. *Federal Computer*
Week magazine said,
“The GPO site stands
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In 1998, *GPO Access* was named one of the 15 “Best Feds on the Web” by Vice President Al Gore and *Government Executive* magazine. *Federal Computer Week* magazine said, “the GPO site stands out as an unassuming, information-rich offering.” The internationally recognized management firm of Booz-Allen & Hamilton, Inc., called *GPO Access* “one of the Federal Government's largest and most active websites” and said that the site “has been highly successful in making Government information easily available to the public.” In 1997, *GPO Access* and the Commerce Department jointly earned a Hammer Award from Vice President Gore's National Performance Review for creating the new electronic *Commerce Business Daily*, known as *CBDNet*. Other awards have included a 1994 Technology Leadership Award and the prestigious 1995 James Madison Award from the Coalition on Government Information.

From its historic past to its electronic present, GPO has earned a reputation as one of the



Highlights

\$1.5 Million GAO Management Audit Gives GPO High Marks For Service

A General Accounting Office-sponsored management audit of GPO in 1998 found “unanimous” and “universal” support for GPO’s in-house production, printing procurement, and depository library distribution services, and offered a variety of recommendations to improve these and other GPO programs, according to a report prepared by Booz-Allen & Hamilton, Inc.

Citing congressional satisfaction with product quality and timely dependability of delivery, executive agency satisfaction with printing procurement services, and broad public support for free access to Government information through GPO’s depository libraries, the \$1.5 million review was conducted in response to directions contained in the conference report to the FY 1998 Legislative Branch Appropriations Act. The report was funded by GPO’s revolving fund.

The House and Senate Appropriations Committees directed the GAO to “include an objective evaluation” of GPO’s documents sales program, printing procurement program, in-house production operations, personnel management activities, financial systems, and information technology programs. The GAO was specifically instructed that its work “should not be encumbered by presupposing that GPO’s current operations . . . cannot be changed.” The audit was performed between December 1997 and April 1998.

The auditors found strong support in Congress for GPO’s in-house production operations for congressional printing, stating that GPO’s production area “consistently meets a demanding congressional production schedule” and that “GPO effectively satisfies its priority congressional customers and meets the variable demands and outputs requested by Congress.” According to the report, GPO’s “production functions are geared toward rapid and consistent turnout of congressional products” and are “flexible and responsive to changing congressional needs.”

In addition, the report said GPO has “developed strong and cordial relationships with their contacts within congressional organizations and offices” and that GPO’s “communication with the congressional customer is frequent and regular.” The audit reviewed the feasibility of privatizing the production of the *Congressional Record* but was inconclusive on any savings and suggested further study would be required. Moreover, it “found little support among congressional staff for relinquishing control of the in-plant production capability of GPO.”

The auditors found “universal support” among executive branch agencies for GPO’s printing procurement program. The report said “these agencies viewed this service that GPO provides as an example of ‘Government at its best,’ and none of them felt that they wanted or could do this function better than GPO.”

“GPO’s timely and responsive services to Congress” are viewed as “a universal strength;” GPO’s printing procurement services are called “Government at its best;” and there is “strong support” for GPO’s depository library program.

– Booz-Allen & Hamilton, Inc.

The Booz-Allen report said *GPO Access* “is one of the Federal Government’s largest and most active websites” and suggested that GPO seek additional funds from Congress to expand this program.

The report said GPO’s depository library program “is well managed, provides a valuable public service, and is respected by the library community.” The auditors also found strong support for GPO to make an increasing amount of Government information available electronically, free of charge, over the Internet and praised the success of *GPO Access*.

The Booz-Allen report said *GPO Access* “is one of the Federal Government’s largest and most active websites” and suggested that GPO seek additional funds from Congress to expand this program. In addition, the report said “GPO has successfully implemented new I/T (information technology) capabilities in many parts of the organization.”

The report contained a number of specific recommendations to improve the efficiency and effectiveness of GPO’s programs. Many of the recommendations addressed the need for investment to offset the effects of reduced spending and downsizing pursued by GPO in recent years. By year-end, action was underway on approximately 75 percent of the recommendations. The audit report is available online via the GAO’s website.

***GPO Access* Selected As One Of The “Best Feds On The Web”**

GPO Access was named one of the “Best Feds on the Web” by *Government Executive* magazine in 1998, adding to the list of awards garnered by this popular website.

GPO Access was one of just 15 Federal websites to be selected for this award. In 1997, the General Accounting Office identified 4,300 websites in the Federal Government (GAO, “Internet and Electronic Dial-Up Bulletin Boards: Information Reported by Federal Organizations” GAO/GGD-97-86, 6/16/97). *GPO Access* was the only website in the legislative branch to be selected.

In making its selections, *Government Executive* said it picked “the sites we thought went above and beyond the typical ‘home page’ . . . Some of the better known and flashier Federal sites didn’t make the list because we felt they didn’t go the extra mile to serve their customers.” To be designated one of the “Best Feds on the Web,” *Government Executive* said each site had to:

- provide excellent customer service to the public by having a well-designed site that includes a large amount of useful information;
- use the Web to improve business practices in their agencies or across Government; and
- make use of new technologies that other Federal sites should consider emulating.

Government Executive said *GPO Access* “provides free electronic access to a wealth of important information published by the Government. The site offers Government information databases for online use, individual Federal agency files available for downloading, and tools to assist in finding Federal information and user

support. Through just this one site, you can access the *Federal Register*, the *Congressional Record*, the *Commerce Business Daily*, and many more publications. It doesn't get more convenient than that."

In a May 15, 1998, letter to Public Printer Michael DiMario, Vice President Al Gore congratulated GPO "for the excellent customer service you are providing through your website." The Vice President said, "your organization continues to serve as an excellent model for other Federal agencies on how to provide an interesting and easy-to-use website, providing consumers hassle-free access to Government services. Your innovative web site encourages consumers to contact your agency and to take advantage of the many services which you provide."

The *Government Executive* award was one of many that have been won by *GPO Access*. Others include a 1994 Technology Leadership Award and the 1995 James Madison Award. In 1997, *GPO Access* and the Commerce Department jointly earned a Hammer Award from Vice President Gore's National Performance Review for creating the new electronic *Commerce Business Daily*, known as *CBDNet*.

Also, in a 1998 review of *GPO Access*, *Federal Computer Week* magazine said, "in a web environment overrun by sites that are the equivalent of a Hollywood movie set, where style takes precedence over substance, the GPO site stands out as an unassuming, information-rich offering."

Public Use Of Online Budget Jumped More Than 500 Percent

As President Clinton's Fiscal Year 1999 Budget was released for sale to the public in GPO bookstores and through telephone mail orders in early 1998, thousands of Americans were reviewing the individual budget documents through *GPO Access*.

The public's use of the online budget in 1998 contrasted sharply with the use of the online budget the year before. In 1997, the budget documents were released online the same day paper copies went on sale from GPO. At that time, first day sales were 7,918 copies while *GPO Access* hits for the budget documents were 10,149.

In 1998, the paper budget and the online documents were again released the same day. This time, however, 7,390 paper copies were sold, while *GPO Access* hits for the budget documents jumped to 64,428, an increase of 535 percent.

New Computer-To-Plate Technology Reduces Costs, Improves Quality

In 1998, GPO acquired state-of-the-art computer-to-plate technology that will dramatically reduce costs, improve press-ready plate quality, and expedite the processing of prepress work. The acquisition of the two computer-to-plate (CTP) systems for \$1.4 million will generate savings to the taxpayer of \$7.3 million in just 3 years. The new systems are scheduled to be fully operational in 1999.

In 1998, GPO acquired state-of-the-art computer-to-plate technology that will dramatically reduce costs, improve press-ready plate quality, and expedite the processing of prepress work.

GPO's new passport binding line will provide the needed capability to keep up with the increased demand for U.S. passports.

With the recent development of large-format laser imaging devices that transfer imposed image computer files onto metal offset printing plates, and with the achievement of increased imaging speeds, CTP systems have evolved to the point where they are now cost-effective, time-saving, and reliable devices for the demanding work performed by GPO. The new equipment will accept electronic input for platemaking directly from GPO's automated composition systems.

Establishing networked, high-speed, fully automated platemaking capabilities saves substantial labor costs. CTP technology makes it possible to send electronic text and image files directly to automated platemaking devices, eliminating the need for film negatives and the additional labor-intensive manual processes of stripping and imposing those negatives onto goldenrod for conventional platemaking. It will also ensure consistently high quality plates. As a result, GPO will be able to deliver the same volume of quality print products to Congress and Federal agency customers at a significantly reduced labor cost.

CTP technology saves in other ways as well. For example, it reduces the material costs for film and associated chemicals. And, by reducing the disposal and/or recycling of film and associated processing chemicals, it reduces hazards to the environment. Savings will be achieved by reducing the operating and maintenance costs of current film-processing and platemaking equipment. Total space requirements will also be reduced with the new

equipment. In addition, the new equipment will give GPO the capability for electronic storage of imposed signatures.

The new CTP equipment will be used to process the *Congressional Record*, the *Federal Register*, the *Code of Federal Regulations*, the *U.S. Code*, the *Budget of the United States*, and patents-related publications, as well as most congressional bills, reports, and documents. The devices will include the capability to automatically process at least three different plate sizes, making them suitable for use on a wide variety of GPO products. The acquisition of this equipment means that GPO's prepress processes will be totally electronic from submission of the information to the creation of the offset plate.

GPO Acquires New U.S. Passport Binding Line

During the year, GPO began the acquisition process for a new binding line for the production of U.S. passports. The new system, scheduled to be delivered in 1999, will replace equipment which has been in place since 1986. The GPO produces all U.S. passports for the State Department.

GPO's new passport binding line will provide the needed capability to keep up with the increased demand for U.S. passports. It is part of GPO's long-term partnership with the State Department to provide efficient, timely, high-quality, and high-security production services for U.S. passports.

The current GPO passport line, which will be retained as backup

Agencies using GPO's new deposit accounts will stop wasting valuable time and money, maintain control of their funds, eliminate expensive and complicated paperwork, and cut the cost of their printing.

capacity, consists of two separate machines. The first assembles the preprinted pages and cover into a strip of three unfinished passports. The second prepares the strip of three into three finished passports. These machines are more than 10 years old and a large number of their component parts are no longer available. The passport pages are printed on GPO's six-color press. The press is not scheduled for replacement with this acquisition.

Cumulative passport production has been greater than 60 million passports on the existing system. Production in FY 1998 was 7,016,000 passports. Passport production requirements are expected to increase by approximately 5 percent annually for the next several years. The new equipment, which is being acquired from Uno Seisakusho Company, Ltd., under competitive bidding procedures, will ensure the necessary production capability. Total equipment and site preparation costs for the new system are estimated at \$3.6 million.

The State Department has been planning to introduce a new photo digital passport. The new passport book will no longer employ the lamination process, but will have the data page coated with a secure coating that will be applied by GPO's new silk screen press. This new process will eliminate photo substitution and fraud. Employing the silk screen press adds one task to press operations and eliminates a task in binding operations. The new passport book will be produced in English, French, and Spanish.

New GPO Deposit Accounts Eliminate Costly Agency Paperwork And Save Taxpayers Money

In another step to make the Federal printing process work better and cost less, GPO began offering a new payment option for agency printing customers called GPO deposit accounts in 1998. This new option streamlines agency accounting procedures for printing jobs, eliminates invoices from GPO, and cuts the cost of Government printing.

Under the old system, agencies were burdened with the paperwork associated with requisitioning printing jobs from GPO. When each job was ordered, agency officials would record the estimated cost as an obligation in their accounting records. When the job was completed, a bill would be sent by GPO and more records would have to be created to liquidate the original obligation. This labor-intensive process took time to produce the complicated paperwork in both the customer agency and GPO, generating increased costs.

With the new deposit accounts, this time-consuming practice is eliminated. Agencies can simply electronically transfer sufficient funds to a deposit account to cover the anticipated cost of printing. When an agency submits an order for printing, the order will be charged to the account automatically. No longer do agency program managers have to go through their accounting offices before submitting their printing orders to GPO. The increased lead

time made possible by deposit accounts will allow more competitive bids to be obtained, lowering the cost of the work.

With deposit accounts, agencies maintain control over their funds at all times. They can use their credit card or the Treasury Department's Online Payment and Collection (OPAC) system to transfer additional funds as necessary. And with deposit accounts, GPO's computerized accounting system will provide them with a detailed record of the payments for each printing job and a deposit account statement showing the opening balance, deposits, payments, and closing balance.

Some agencies can save a significant amount of money using the new deposit accounts. With deposit accounts, credit card transactions appear only periodically as the accounts are replenished, and there are no GPO invoices. This can lower accounting and processing costs for agency printing dramatically. Deposit accounts are also an effective method to reduce outstanding bills with GPO. Agencies using GPO's new deposit accounts will stop wasting valuable time and money, maintain control of their funds, eliminate expensive and complicated paperwork, and cut the cost of their printing.

GPO Receives Clean Opinion In Audit Of FY 1997 Finances

GPO received an "unqualified opinion" in a comprehensive, independent audit of its 1997 financial operations, completed in 1998 by the nationally recognized accounting firm KPMG Peat Marwick LLP. Under contract with the General

Accounting Office, KPMG conducted a thorough audit of GPO's financial statements for the fiscal year ending September 30, 1997, and concluded they "are presented fairly, in all material respects, in conformity with generally accepted accounting principles."

"This is the highest recognition we can give to any organization following a financial report," stated John A. Farrell, KPMG Peat Marwick partner and spokesman for the auditing team.

In making a recommendation for GPO to establish certain data processing controls, the auditors concluded: "The GPO management has fairly stated, in all material respects, its assertions that internal controls . . . provide reasonable assurance that assets were safeguarded against loss from unauthorized acquisition, use, or disposition . . . "

The audit found "no instances of reportable noncompliance with laws and regulations we tested." The findings of the 1997 financial audit continue GPO's trend of "unqualified" audit opinions—the best that auditors can issue.

The audit of GPO's 1997 finances came on the heels of the management audit conducted by Booz-Allen & Hamilton, Inc., earlier in 1998. That audit stated that "the financial management history at GPO demonstrates that the agency has had considerable experience as a business-oriented operation." Booz-Allen's auditors said GPO's budget and accounting offices have a "high level of subject matter expertise." They also said "GPO

"GPO has been a leader in providing Congress accrual-based accounting and financial statements."

– Booz-Allen & Hamilton, Inc.

has been a leader in providing Congress accrual-based accounting and financial statements,” noting that the Chief Financial Officers Act of 1990 requires all executive branch agencies to implement accrual-based accounting systems.

GPO’s Printing Procurement Program Saves Taxpayers Big \$\$\$

**During 1998, GPO’s Printing
Procurement Program
continued to give taxpayers
the best possible value
for their Government
printing dollar.**

During 1998, GPO’s Printing Procurement Program continued to give taxpayers the best possible value for their Government printing dollar.

All over the country, GPO buys approximately 75 percent of all Federal printing orders from private sector printers in one of the Government’s most competitive, most successful purchasing programs ever, dealing with more than 10,000 printing firms nationwide to get the best possible price for the Government’s printing dollar.

Some of the procurement success stories reported during the year included these:

- An agency ordered 100,000 sets of a 12-page book. Another Federal agency that provides printing services, the General Services Administration, provided a contract bid for \$37,000. GPO’s New York office procured the job for \$5,700, saving the taxpayers \$31,300, or 85 percent.
- A Federal agency obtained a quote of \$2,644 for a short-run job. GPO got the job for them for \$930.01, a savings of \$1,713.99, or 65 percent.

Another Federal agency wanted to produce a printing job in-house at a cost of \$4,719.75. Then they decided to turn to GPO, which contracted the same job for \$1,164.21, a savings of \$3,555.54, or 75 percent.

- A Federal agency wanted to place a printing contract with a local firm, rather than using the most competitively-priced printer recommended by GPO. The lowest local contractor price was \$50,712.35. The GPO-recommended printer’s price was \$20,994.24. The savings on this one contract: \$29,718.11, or 59 percent.
- A Federal department requisitioned a job for 20,000 books, estimating the cost at \$220,000. Money-saving suggestions by GPO professionals got the final product cost down to \$103,000. GPO saved the taxpayers \$117,000, or 53 percent.
- A Federal agency ordered 98,000 copies of a 172-page publication with saddle-stitching. GPO experts recommended perfect-binding as a cost-saving alternative. The agency initially rejected this recommendation and the winning bid for the saddle-stitched job was \$134,153. But GPO asked for bids on the perfect-bound job anyway and showed the results to the agency — a low bid of \$73,956. The agency agreed to change its requirements, resulting in a savings of \$60,197, or 45 percent.

In addition to printing and delivering the Starr Report and related materials in record time under extraordinary pressures, GPO made them available online and in CD-ROM format.

- An agency headquarters ordered a job with a short delivery time. The initial bid for \$42,235 was deemed excessive. GPO convinced the agency to extend its delivery requirement by 12 days. The resulting contract was \$30,888, a savings of \$11,347, or 27 percent.
- An agency had been purchasing its duplicating needs directly from local printers. GPO offered to find them a better price. Bids from the two sources which had been doing the work were \$12,262.88 and \$13,859.85. GPO awarded the job to a top-performing firm for \$9,859.31, for a minimum savings of \$2,403.57, or 20 percent.
- An agency seeking to downsize its internal printing capability turned to GPO to outsource the work. The 3-year GPO contract will save the agency approximately \$2.1 million over its term.

GPO's printing procurement program billed 256,041 commercial orders in FY 1998, an average of about 1,000 per day, generating total revenues of approximately \$467 million. Not only does GPO's procurement program save taxpayers millions, the work it places in virtually every State in the Nation generates jobs as well as State and local tax revenues. And when Federal agencies work with GPO for their information product needs, GPO makes sure those same products are placed in GPO's bookstores and in Federal depository libraries nationwide, at no additional cost to the agencies.

For these reasons, GPO's printing procurement program was characterized as "an example of the best services government has to offer" in the 1998 management audit conducted by Booz-Allen & Hamilton, Inc.

GPO Provides Public Access To Starr Report In Print And Electronic Formats

In September 1998, GPO met one of its greatest challenges with the publication of the reports released by Independent Counsel Kenneth Starr, following the enactment of House of Representatives Resolution 525, authorizing public disclosure of these materials.

The released materials included the report of the Independent Counsel to the House of Representatives, accompanied by two sets of supplementary materials in five volumes. Altogether, the number of pages exceeded 8,000. In addition to printing and delivering the Starr Report and related materials in record time under extraordinary pressures, GPO made them available online and in CD-ROM format, earning the agency a commendation from the Chairman of the House Judiciary Committee as well as widespread public praise.

THE STARR REPORT. In accordance with the House resolution, GPO printed the first document, *Communication from Kenneth W. Starr, Independent Counsel, Transmitting a Referral to the United States House of Representatives Filed in Conformity with the Requirements of Title 28, United States Code, Section 595(c)*, as House Document 105-310.

**Public acclaim for GPO's
role in producing the
Starr Report materials was
widespread in the print and
broadcast media.**

The Starr Report was received from the House in WordPerfect 6.0 format at about 3 p.m. September 11. It was converted through GPO's composition system, galley proofs were produced and checked against a copy of the original document, then approximately 13,000 copies were printed on GPO's group 86 web offset presses. The publication went to press at 5 a.m. September 12. Print production, including adhesive binding, was completed by 10 a.m. The final product, totaling 220 pages, measured 5 7/8 by 9 1/8 inches and weighed approximately half a pound. A total of 1,800 copies were delivered to Congress; 1,400 copies were produced for GPO's depository library program; and 9,500 copies were produced for GPO's sales program. Delivery began at 10 a.m., September 12. In addition, GPO was requested by the House to provide 500 loose-leaf copies of the report for House Members. These copies were delivered as they were completed, with the final copies delivered by early evening, September 11.

GPO put the Starr Report on sale in its central office bookstore at noon on September 12. At the time the doors opened, the line of people waiting to enter the store stretched to the end of the block. Copies were shipped overnight to GPO's 23 other bookstores around the Nation for sale beginning the following Monday, September 14. Additional copies were delivered to GPO's Laurel, MD, office for filling sales mail orders. Sales were brisk, with 400 copies selling on the first day, and approximately 4,900 copies nationwide in the first week following release.

The Starr Report was made available on *GPO Access*. At the request of the House, GPO established a special URL for the report on *GPO Access*. GPO went live with the report on September 11 within a half hour of obtaining a CD-ROM disc containing certified HTML files from the House. Because of heavy Internet traffic, GPO set up a second URL solely for the report. On September 11 and 12, there were more than 569,000 visitors to *GPO Access*.

GPO also made the White House preliminary and initial responses to the Starr Report available on *GPO Access*. These went live on September 11 and 12, respectively, at the same URL's provided for the Starr Report.

FIRST SET OF SUPPLEMENTARY MATERIALS. GPO produced the first set of supplementary materials to the Starr Report in two volumes over the weekend of September 19-20, 1998. The materials were made available to the public in print, CD-R, and online formats shortly after 9 a.m. on Monday, September 21, following the authorization for release by the House.

The formal title of the first set of supplementary materials was *Communication from the Office of the Independent Counsel, Kenneth W. Starr, Transmitting Appendices to the Referral to the United States House of Representatives Pursuant to Title 28, United States Code, Section 595(c), Submitted by the Office of the Independent Counsel, September 9, 1998* (House Document 105-311, Parts 1 and 2). Over 3,000 pages of 8- by 11-inch camera copy were provided to GPO

**At the request of the House,
the tightest security was
observed during the produc-
tion process, with GPO
police officers monitoring the
building and all production
areas around the clock.**

at approximately 7 p.m. Friday, September 18. The pages were reduced to 65 percent and 55 percent to accommodate production in the standard congressional document size of 5 7/8 by 9 1/8 inches. Folios were set to provide continuous pagination through both parts. Tab dividers were removed and replaced by pages indicating tab locations in the documents series, and tables of contents were added. Press production took place on GPO's group 86 web offset presses, and the documents were perfect-bound with traditional House document covers on GPO's automated binding line and shrink-wrapped as a complete set. At the request of the House, the tightest security was observed during the production process, with GPO police officers monitoring the building and all production areas around the clock.

The completed Parts 1 and 2 totaled 3,232 pages, measured 5 inches in thickness, and together weighed 7 pounds. Approximately 5,400 copies were printed, 2,200 of which were ordered for GPO's sales program and for distribution to depository libraries nationwide. The balance of the copies were distributed as ordered to the House of Representatives, and made available for other distribution as required by law.

GPO made the sets of Parts 1 and 2 available for sale to the public at its central office bookstore following release by the House. More than 300 sets sold in the first hour. Total sales for the first day were approximately 700 copies.

In a September 22, 1998, letter to Public Printer Michael F. DiMario,

House Judiciary Committee Chairman Henry J. Hyde commended the "outstanding job the employees of the U.S. Government Printing Office did in providing, with such impressive turnaround, House Document 105-311." Chairman Hyde said, "for two documents, totaling more than 3,200 pages, to be produced in such an expeditious manner is a true tribute to the U.S. Government Printing Office, its employees, and its history in the Federal Government."

Also produced by GPO over the September 19-20 weekend were scanned image files of the supplementary materials for online dissemination via *GPO Access*. Unlike the original Starr Report, which was carried on the Internet by a wide variety of public and private sector sites, *GPO Access* was the only site that posted these supplementary report materials. The materials were available through three different URL's on *GPO Access* to accommodate public demand. In addition, GPO produced a CD-R disc containing all of the supplementary materials in H. Doc. 106-311 in Portable Document Format (PDF).

SECOND SET OF SUPPLEMENTARY MATERIALS. Constituting the largest volume of supplementary materials yet released to the public—nearly 5,000 pages—the second set of supplementary materials to the Starr Report was delivered to GPO by the House on Tuesday, September 29 and made available by Congress on Friday, October 2.

The formal title of these materials was *Communication from the*

**House Judiciary Committee
Chairman Henry J. Hyde
commended the “outstanding
job the employees of the U.S.
Government Printing Office
did in providing, with such
impressive turnaround,
House Document 105-311.”**

*Office of the Independent Counsel,
Kenneth W. Starr, Transmitting
Supplemental Materials to the
Referral to the United States
House of Representatives Pursuant
to Title 28, United States Code,
Section 595(c), Submitted by the
Office of the Independent Counsel,
September 9, 1998 (House
Document 105-316, Parts 1-3).*

Nearly 5,000 pages of 8- by 11-
inch camera copy were provided
to GPO on Tuesday morning,
September 29. GPO utilized the
same production methods for these
documents as were used in the
production of the first set of
supplementary materials produced
over the weekend of September 19-
20. Folios were set to provide con-
tinuous pagination through all
three parts. The pages were
reduced to 65 percent and 55
percent to accommodate produc-
tion in the standard congressional
document size of 5 7/8 by 9 1/8
inches. Press production took place
on GPO's group 86 web
offset presses, and the documents
were perfect-bound with tradition-
al House document covers on
GPO's automated binding line and
shrink-wrapped as a complete set.
Again, the tightest security was
observed during the production
process, with GPO police officers
monitoring the building and all
production areas around the clock.

The completed Parts 1, 2, and 3
totaled 4,871 pages, measured
7 1/4 inches in thickness, and
together weighed 10 1/2 pounds.
Approximately 5,200 sets of the
three-part document were printed,
2,000 of which were ordered
for GPO's sales program.
Approximately 1,800 copies were

delivered to Congress, while the
balance of the copies were made
available for other distribution as
required by law, including distribu-
tion to Federal depository libraries
nationwide.

Also produced during the same
period was House Document 105-
317, *Communication from the
Committee on the Judiciary
Transmitting the Preliminary
Memorandum of the President of
the United States Concerning
Referral of the Office of the
Independent Counsel and Initial
Response of the President of the
United States to Referral of the
Office of the Independent Counsel*.
Approximately 3,700 copies of this
64-page document were typeset
and printed. About 1,800 copies
were delivered to Congress, 500
to GPO's sales program, and the
balance to other distribution as
required by law.

GPO made House Documents 105-
316 and 105-317 available for sale
to the public at its central office
bookstore at 12:30 p.m., Friday,
October 2, with more than 100
sets of the three-part document
selling in the first two weeks.
During the same period, total sales
of the President's memorandum
were about 300 copies.

Also produced were scanned image
files of the supplementary materials
for online dissemination via *GPO
Access* on three different URL's,
again to accommodate public
demand since GPO was the only
organization to post these materials
online. GPO also made the
President's memorandum available
online. In addition, GPO produced
a CD-R disc containing all of the

materials in H. Doc. 105-316 in Adobe Acrobat Portable Document Format (PDF).

Public acclaim for GPO's role in producing the Starr Report materials was widespread in the print and broadcast media. Every major broadcast organization covered the releases of the report and supplementary materials, and major articles appeared in the *Wall Street Journal*, the *Baltimore Sun*, the *Hartford Courant*, and throughout the printing industry press.

GPO Attacks The Y2K Computer Glitch

GPO is a service organization whose main product is information. As an information provider, GPO relies on the use of information technology to accomplish its mission. The Year 2000 (Y2K) problem is real and the impact on GPO and its customers could be catastrophic without a major program initiative to combat its potential effects. GPO is following a program to ensure that mission-critical systems supporting its key mission requirements will be Y2K compliant.

In March 1998, the Public Printer issued a *GPO Year 2000 Program Guide*, formally establishing a Year 2000 Program Management Office to oversee GPO's Y2K initiatives and provide timely progress reports on the subject to internal and external parties, including the General Accounting Office (GAO). The Program Management Office coordinates cross-departmental activity and formulates recommended policy. The Program Guide encompasses five critical phases to

ensure Y2K compliance: awareness, assessment, renovation, validation, and implementation.

A complete review of GPO's mission-critical systems was conducted during FY 1998. All of GPO's mission-critical systems were identified and evaluation plans were developed.

GPO provided its Y2K Compliance Program Action Plan to the Joint Committee on Printing in July 1998. As part of the reporting requirements to the GAO, GPO estimated that \$25 million would be required to make its information technology environment fully Y2K compliant. Most of these resources relate to in-house labor costs and previously-budgeted replacements. GPO has been in constant communication with GAO, furnishing the appropriate status information that is provided to Congress. All GPO mission-critical systems will be Y2K compliant by the end of 1999.

Expanding Electronic Dissemination To Depository Libraries

The programs administered by the Superintendent of Documents, particularly the Federal Depository Library Program (FDLP), demonstrate the U.S. Government's commitment to keeping the public informed of the operations of the Government and of the information collected, created, or compiled by the Government. Federal depository libraries select and receive Government information products in various media and make the information available to the public at no charge.

GPO is following a program to ensure that mission-critical systems supporting its key mission requirements will be Y2K compliant.

GPO strongly supports the increased dissemination of Government information in electronic formats in conjunction with Federal agency transitions to CD-ROM or online database technology.

On September 30, 1998, there were 1,360 libraries in the FDLP. Of that number, 50 percent were four-year academic institutions, 20 percent were public libraries, and 11 percent were accredited law school libraries. The remaining depositories were in 2-year community colleges, Federal agencies, State libraries, State courts, special libraries, Federal courts, and military service academies. These libraries serve all segments of the Nation's population: students, researchers, consumers, and those in the business sector with everything from agriculture pamphlets and scientific reports to demographic statistics or health information.

GPO strongly supports the increased dissemination of Government information in electronic formats in conjunction with Federal agency transitions to CD-ROM or online database technology. *GPO Access* is one of the leading Federal sites on the Internet today. In addition, GPO has created a variety of electronic locator services that let users identify and connect to agency electronic resources. About 34 percent of all titles disseminated to depository libraries in FY 1998 were in electronic format.

The dissemination of Government information to libraries for the public's use began in 1813, making the FDLP America's oldest "freedom of information" program. From its beginning, the FDLP has been built on several underlying principles:

- A well-informed citizenry, cognizant of the policies and

activities of its representative Government, is essential to the proper functioning of democracy;

- The public has a right to Government information which has been prepared and published at public expense;
- The Government has an obligation to ensure the availability of, and access to, public information at no cost to the user;
- The publications provided through the FDLP are a permanent and official source of Government information; and
- The public, participating libraries, and the Government all benefit from the efficiencies afforded by a centralized distribution system, such as the FDLP, which ensures the wide availability of Government information products at no charge to users.

To manage the burgeoning number of Federal electronic products, in 1998 GPO issued a plan called *Managing the FDLP Electronic Collection: A Policy and Planning Document*. This plan establishes a framework for GPO to manage electronic Government information products throughout their life cycle from creation and bibliographic identification, to both current and permanent public access. Under this plan, the FDLP print and electronic products collections will be comprised of those Government information products that are currently included in the

**To manage the burgeoning
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*Managing the FDLP
Electronic Collection:
A Policy and
Planning Document.***

FDLP as defined in Title 44,
U.S.C., section 1902.

The FDLP Electronic Collection will consist of: (1) core legislative and regulatory *GPO Access* products that will reside permanently on GPO servers; (2) other remotely accessible products either maintained by GPO or other institutions with which GPO has established formal agreements; (3) the tangible electronic Government information products distributed to Federal depository libraries; and (4) remotely accessible electronic Government information products which GPO identifies, describes, and links to, but which remain under the control of the originating agencies.

In planning for an electronic future, GPO is being guided by the assumption that partners, such as libraries, Government agencies, non-profits, and consortia, will share the tasks of building, storing, disseminating, and preserving the collection of FDLP electronic resources. Several partnerships have been forged in recent years that will help ensure permanent online accessibility for electronic Government information products. Portions of the collection, other than the core legislative and regulatory *GPO Access* products, may be maintained at partner institutions, including other Federal agencies, depository libraries, consortia, or other institutions, such as the Online Computer Library Center (OCLC).

Significant progress has been made with other Government information disseminators to expand the range of content available at no cost to depository libraries and the

public. In 1998, GPO entered into partnership agreements with the U.S. Department of Energy (DOE) and the National Technical Information Service (NTIS) that will allow libraries to search and obtain vast amounts of U.S. Government scientific and technical information in electronic image format via the Internet. The DOE project alone will provide electronic versions of some 15,000 reports each year which were previously available to depository libraries only in microfiche. The NTIS project is a pilot that has enormous potential to expand the public availability of Government information, scientific and technical, using electronic technologies.

GPO, in conjunction with the U.S. State Department and the University of Illinois at Chicago (UIC), will also build on UIC's current agreement with the State Department to manage the Department of State Foreign Affairs Network (DOSFAN). DOSFAN is a collection of World Wide Web pages featuring current State Department news and information. As an FDLP partner, UIC will hold for permanent access electronic information products that migrate off DOSFAN. The ultimate responsibility for provision of permanent access to and bibliographic control of the electronic products will reside within GPO, however, as the administrator of the FDLP.

GPO and the University of North Texas (UNT) libraries formed a partnership to provide permanent online access to electronic publications of the Advisory Commission on Intergovernmental Relations

GPO will continue its quest to expand the availability of free Government information to the American citizenry and fulfill the words of Thomas Jefferson, who said, “it is the responsibility of every American to be informed.”

(ACIR), an independent agency that studied the relationship among local, State, and national levels of government. The Commission was terminated in 1996. The GPO/UNT partnership will assure ongoing access to ACIR reports and documents. GPO acted as agent for this agreement, matching the need for permanent access to the agency information with the willingness of UNT to enter into a partnership agreement.

In an action to further expand online access to Government information, GPO set a pilot project with OCLC and the National Library of Education to make Educational Resources Information Center (ERIC) research documents available to depository libraries. The project makes the full text of these documents available only from workstations at depository libraries that currently subscribe to ERIC Research Reports on microfilm.

These types of partnership arrangements, along with other new initiatives, will be a significant part of the new GPO in the next millennium. GPO will continue its quest to expand the availability of free Government information to the American citizenry and fulfill the words of Thomas Jefferson, who said, “it is the responsibility of every American to be informed.”

Congressional Hearings On GPO In 1998

The House Subcommittee on Legislative Appropriations and the Senate Subcommittee on Legislative Branch Appropriations

held their annual hearings on GPO’s funding request for FY 1999, in February and March 1998, respectively. GPO requested approximately \$110 million for its two appropriation accounts. One finances the printing and binding requirements of the Congress, while the other covers the costs of various programs administered by the Superintendent of Documents.

The Congressional Printing and Binding Appropriation is critical to the maintenance and operation of GPO’s in-plant capacity, which is structured to serve Congress’ information product needs. The appropriation covers the costs of congressional printing such as the *Congressional Record*, bills, reports, hearings, documents, and other products. Each year, a substantial volume of this work is requisitioned. In FY 1998, more than 1.3 billion copy pages of congressional products were produced at an average cost of about 5 cents per page, inclusive of all prepress work, printing, binding, and delivery. This appropriation also covers database preparation work on congressional publications disseminated online via *GPO Access*.

The majority of the Superintendent of Documents Salaries and Expenses Appropriation is for the Federal Depository Library Program (FDLP). While some of the funding for this program is for salaries and benefits, most is for printing and distributing publications (including publications in CD-ROM and online formats) to depository libraries. This appropriation also provides the majority of funding for the operation of *GPO Access*.

The Public Printer advised the appropriations subcommittees of GPO's continuing transition to a predominately electronic FDLP, as set forth in the 1996 *Study to Identify Measures Necessary for a Successful Transition to a More Electronic Federal Depository Library Program*.

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1.3 billion copy pages of
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and delivery.**

In late February 1998, the Public Printer appeared before an oversight hearing of the GPO by the Senate Committee on Rules and Administration. The Public Printer provided Committee members information on a wide range of subjects, showing how GPO's programs reduce the need for duplicative production facilities throughout the Government, achieve significant taxpayer savings through a centrally-managed production and procurement system, and provide essential public access to Government information, which is increasingly needed by all Americans in the Information Age.

The Public Printer appeared before the Senate Rules and Administration Committee again in July to discuss his views on S. 2288, the Wendell H. Ford Government Publications Reform Act of 1998. However, the bill was not taken up by the Senate prior to adjournment.



2001 M. Street, N.W.
Washington, DC 20036

INDEPENDENT AUDITORS' REPORT

The Public Printer:

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (the GPO) as of September 30, 1998 and 1997, and the related consolidated statements of revenues and expenses and cash flows for the years then ended. We have also examined management's assertions, included in the accompanying statement of assurance to us dated February 8, 1999, regarding the effectiveness of the GPO's internal controls over financial reporting that were in place as of September 30, 1998. The objective of our audit was to express an opinion on the fair presentation of the GPO's consolidated financial statements. The objective of our examination of management's assertions regarding internal controls over financial reporting was to express an opinion on management's assertions. In connection with our audit, we also tested the GPO's compliance with certain provisions of applicable laws and regulations.

In our opinion:

- The GPO's consolidated financial statements as of September 30, 1998 and 1997, and for the years then ended, are presented fairly, in all material respects, in conformity with generally accepted accounting principles; and
- The GPO management has fairly stated, in all material respects, its assertions that internal controls in place as of September 30, 1998, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (b) any other laws and regulations or government-wide policies that entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated.

We noted no instances of reportable noncompliance with laws and regulations we tested.

Our conclusions and the scope of our work are discussed in more detail below.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the GPO as of September 30, 1998 and 1997, and the related consolidated statements of revenues and expenses and cash flows for the years then ended. These consolidated statements are the responsibility of the GPO's



management. Our responsibility is to express an opinion on these consolidated statements based on our audits.

In our opinion, the accompanying 1998 and 1997 consolidated financial statements present fairly, in all material respects, the financial position of the United States Government Printing Office as of September 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the GPO's consolidated financial statements taken as a whole. The consolidating and supplemental information on pages 36 through 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly, we express no opinion on it.

The information contained in the performance measures section has not been audited and, accordingly, we express no opinion on it.

OPINION ON MANAGEMENT'S ASSERTIONS ABOUT THE EFFECTIVENESS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have examined management's assertions included in its statement of assurance to us dated February 8, 1999, that internal controls designed by management provide reasonable, but not absolute, assurance that as of September 30, 1998, the following objectives were met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- Transactions are executed in accordance with: (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (b) any other laws and regulations or government-wide policies that entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated.

Although internal controls should be improved as discussed below, in our opinion, management's assertions that internal controls in place as of September 30, 1998, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (b) any other laws and regulations or government-wide policies that entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated, are fairly stated in all material respects,



based upon criteria established under OMB Circular A-123, *Management Accountability and Control* (Revised, June 1995).

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the GPO's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition that precludes the entity's internal controls from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. We noted certain matters involving the internal controls over financial reporting that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Our consideration of internal controls would not necessarily disclose all internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. Deficiencies in the design and or operations of the GPO's EDP general controls are considered a reportable condition. This condition has been previously reported to management in prior years' audit reports.

GPO has embarked on an aggressive systems modernization program partially in response to the Year 2000 issue. Certain of the matters noted below are being addressed as part of the overall systems modernization which is not yet complete.

The recurring reportable condition on the GPO's EDP general controls relates to the following areas:

- **Access Control**

- Certain access controls require modification in order to provide a more secure environment. Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. These controls include controls over physical access to computer resources, and controls that prevent unauthorized access to sensitive files.

Examples of weaknesses include:

- Adequate segregation of duties is lacking in the administration of mainframe, database, and network security and the control of application changes.
- Certain vulnerabilities exist with respect to unauthorized access to systems.

- **Application Change Control and Systems Development**

- Certain controls over the modification of application software programs are deficient. These controls should be designed to ensure that only authorized programs and modifications are implemented. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off" or that processing irregularities or malicious code could be introduced.



Examples of weaknesses include:

- Lack of adequate change request and approval documentation.
- Lack of centralized coordination of program changes.
- No formal approval of, or requirement to utilize or follow, a standard System Development Life Cycle methodology.

- **Service Continuity**

- Losing the capability to process, retrieve, and protect information maintained electronically can significantly impact an agency's ability to accomplish its mission. For this reason, an agency should have (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur. Inadequate contingency and back-up planning exists for the financial management and text processing EDP systems. There is no formal written contingency plan for systems and business operations, and production application backups are not rotated off-site. There is no remote off-site location for backup storage.

- **Entity-Wide Security Program**

- There are several areas regarding an enterprise-wide security program that are inadequate. The program should establish a framework for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of these procedures. Without a well designed program, security controls may be inadequate; responsibilities may be unclear, misunderstood, and improperly implemented; and controls may be inconsistently applied.

Examples of weaknesses include:

- There is no up-to-date comprehensive data security plan, policies and procedures, or an information technology strategic plan.
- Comprehensive risk assessments are not performed on a periodic basis.
- Employee background investigations are missing or out-of-date.
- There is no information technology steering committee.

We recommend that the GPO develop a formal action plan to review and revise its EDP general controls. This plan should address each of the four areas discussed above as well as other areas that impact the general EDP control environment, set forth appropriate corrective action steps, assign responsibilities to employees, and establish target completion dates for each action. This plan should be adopted by top management of the GPO and provide for periodic reviews of progress towards achievement of corrective actions.

This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audits of the GPO's consolidated financial statements.

We also noted other matters involving the internal controls and their operation that we do not consider to be reportable conditions. These matters include comments relating to the significant risks and potential impact of possible Year 2000-induced information system failures of core business processes at the GPO, and our assessment of the management's remediation plans to address the adverse effects of the Year 2000 issue. These matters, along with further technical



details and related recommendations of the reportable condition, will be reported to the GPO's management in a separate letter.

COMPLIANCE WITH LAWS AND REGULATIONS

As part of obtaining reasonable assurance about whether the GPO's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under generally accepted auditing standards.

CONSISTENCY OF OTHER INFORMATION

The Performance Measures, the consolidating financial statements, and other supplemental information contain a wide range of data, some of which are not directly related to the consolidated financial statements. We do not express an overall opinion on this information. However, we compared this information for consistency with the consolidated financial statements. Based on this limited work, we found no material inconsistencies with the consolidated financial statements.

RESPONSIBILITIES

Management's Responsibility. Management is responsible for:

- preparing the consolidated financial statements and supplemental schedules referred to above in conformity with generally accepted accounting principles, and for preparing the performance measures;
- maintaining adequate internal controls designed to fulfill control objectives; and
- complying with applicable laws and regulations.

Auditors' Responsibility. Our responsibility is to express an opinion on the consolidated financial statements, based on our audits. Standards, identified below, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are reliable (free of material misstatement and presented fairly, in all material respects, in conformity with generally accepted accounting principles).

We are also responsible for expressing an opinion, based on our examination, on whether management's assertions regarding the effectiveness of internal controls are fairly stated, in all



material respects, based on criteria established under OMB Circular A-123, *Management Accountability and Control* (Revised, June 1995).

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we are also responsible for reporting any instances of material noncompliance with certain provisions of laws and regulations.

To fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- assessed the accounting principles used and significant estimates made by GPO management;
- evaluated the overall financial statement presentation;
- assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements;
- obtained an understanding of the internal controls over financial reporting;
- tested and evaluated the design and operating effectiveness of relevant internal controls over significant cycles, classes of transactions, and account balances;
- tested compliance with certain provisions of laws and regulations that may materially affect the financial statements; and
- performed such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by OMB Circular A-123, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in internal controls, fraud may occur and not be detected. Also projections of any evaluation of internal controls over financial reporting to future periods are subject to the risk that the internal control procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We conducted our audits in accordance with generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We conducted



our examination of management's assertions regarding the effectiveness of the GPO's internal controls over financial reporting in place as of September 30, 1998, in accordance with standards established by the American Institute of Certified Public Accountants. We believe that our audit and examination provide a reasonable basis for our opinions.

Distribution. This report is intended solely for the information and use of the Public Printer, the Joint Committee on Printing, and the GPO management, and is not intended to be and should not be used by anyone other than the specified parties.

KPMG LLP

February 8, 1999
Washington, D.C.

U.S. Government Printing Office

Performance Measures

September 30, 1998

Operating Performance Measures

Congressional Record Delivery

The Congressional Record (Record) is an important tool and product of the legislative process, and its production is a large part of GPO's mission. To gauge how well GPO is serving Congress by producing the Record timely, GPO has established a deadline of 9 AM the following day, when copy is received in GPO by midnight, regardless of whether the Senate or the House of Representatives is in session. Our actual on-time delivery rate was 83.8 percent in fiscal year 1998, compared with 73.9 percent in fiscal year 1997.

Overtime Management

GPO makes an ongoing effort to minimize overtime hours. In fiscal year 1998, overtime hours increased to 206,000 hours from 185,000 hours in fiscal year 1997, or 11 percent. The cost of overtime in fiscal year 1998 increased by \$813,000 from fiscal year 1997's level. However, we were successful in achieving our goal in fiscal year 1998, as actual overtime hours worked were well below the upper limit of 333,000 overtime hours. Our goal for fiscal year 1999 is a maximum of 250,000 overtime hours.

Production Chargeable Hours

Chargeable hours decreased to 861,000 in fiscal year 1998 from 882,000 in fiscal year 1997, a decrease of 21,000 hours, or 2.4 percent, even though the number of employees available for work decreased 4.6 percent. The results for 1998 met our goal of equaling or exceeding the chargeable hours necessary to achieve break-even operations. Our fiscal year 1999 chargeable hour goal is to achieve the number of chargeable hours necessary to achieve break-even in Production Operations.

On-Time Delivery of Procured Printing

The Printing Procurement Operations contracted with commercial printing firms to ship 176,500 jobs in fiscal year 1998 compared with 192,000 jobs in fiscal year 1997. For fiscal year 1998, GPO's goal was to have at least 95 percent of procured printing orders delivered on time and a quality acceptance rate of at least 99 percent. GPO met its goals by attaining a 95.1 percent on-time delivery rate and a 99 percent quality acceptance rate. The goals for fiscal year 1999 remain the same as those for fiscal year 1998.

Financial Performance Measures

Cash Management

▪ **Payment Performance** – In fiscal year 1998, GPO continued its strong payment performance by paying contractors within the discount period when it was to the government's advantage. GPO's total purchased printing expense for fiscal year 1998 was \$430.4 million after deducting prompt payment discounts of \$6.8 million. The resultant 1.6 percent of discounts taken to net purchased printing exceeded our fiscal year 1998 goal of 1.4 percent. Our goal for fiscal year 1999 remains at 1.4 percent.

Discounts lost increased to \$186,000 in fiscal year 1998 from \$127,000 in fiscal year 1997. The percentages of discounts lost to discounts offered were 2.7 percent and 1.9 percent in fiscal years 1998 and 1997, respectively. We did not achieve our goal set for fiscal year 1998, which was a maximum of 2.5 percent. Our goal for fiscal year 1999 remains at 2.5 percent.

▪ **Electronic Payments** – The use of electronic funds transfer (EFT) payments results in savings for GPO and the Department of the Treasury because paper checks do not have to be produced and processed. In 1998, approximately 23,600 monthly payments, or 88 percent, of all GPO payments were made by EFT, compared with 20,900 monthly payments, or 86 percent of all payments in fiscal year 1997. Therefore, our goal for fiscal year 1998, which was to increase the percentage of EFT payments of total payments, was met. Our goal for fiscal year 1999 is to continue increasing EFT payments.

Debt Management

▪ **Federal Receivables** – In fiscal year 1998, GPO billed Federal agencies \$654.7 million for printing and binding services. Of this amount, \$366.1 million, or 55.9 percent, was collected using the Department of the Treasury's On-Line Payment and Collection (OPAC) system.

In fiscal year 1998, GPO's average monthly receivables more than 90 days overdue were \$13.8 million, or 31.9 percent of the monthly average of outstanding receivables. The Department of Defense's (DoD) account at GPO, with an average monthly balance more than 90 days overdue of \$13.0 million, or 90.0 percent of all of GPO's delinquent receivables, was by far GPO's largest delinquent account. At the end of fiscal year 1998, DoD owed GPO \$6.9 million that was between 31 and 60 days overdue, \$4.5 million that was between 61 and 90 days overdue, and \$14.1 million that was more than 90 days overdue.

The DoD's slow payment process results from procedures requiring that all GPO invoices pass through duplicate review processes at DoD before payment is initiated; and also from DoD not using Treasury Department's OPAC system. Defense Automated Printing Service (DAPS) bills its customers who review GPO's invoices prior to paying DAPS. After DAPS has been paid, GPO's invoices are sent to Defense Finance and Accounting Service where they are reviewed a second time before GPO is paid. This additional layer of DoD administration has had a sustained negative impact on GPO's ability to collect from DoD since the inception of DPS/DAPS in October 1992.

GPO is working with DoD to establish credit cards or deposit accounts as a means of receiving payment from DoD. During fiscal year 1998, GPO and DoD agreed to a pilot program at two DoD sites to use credit cards as the method of payment. During the year, \$11.6 million was paid to GPO under this arrangement.

Also, during fiscal year 1998, use of GPO's printing and binding deposit accounts increased. At year-end, there were 34 accounts with \$17.6 million on deposit. Deposit accounts are used to pre-pay printing bills and eliminate invoices from GPO.

Management Comments on GPO Financial Statements

GPO's consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP requires that financial statements be prepared on the accrual basis of accounting. Accrual accounting dictates that expenses are recorded when incurred, and revenues are recorded when earned, regardless of when cash is disbursed or received. GAAP also requires accounting principles used be applied in a manner consistent with that of the previous year. The accompanying financial statements provide information on all events and economic affairs controlled by the GPO in conformity with established regulations, procedures, and promulgated accounting principles.

GPO's accounting system includes internal controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly recorded. To ensure that adequate internal controls are maintained, management monitors the systems that provide management data, and initiates modifications or improvements deemed necessary to promote operational efficiencies and encourage adherence to prescribed managerial policies.

▪ Operating Issues

GPO's continuing mission is to assist Congress and Federal agencies in the cost-effective creation and replication of information products and services, and to provide effective and economical public access to government information. GPO strives to operate and manage its resources efficiently, and to achieve steady gains in productivity.

Neither Congress nor GPO has the ability to accurately forecast the volume of printing that may be needed for the legislative process. In those years where congressional workload exceeded funding available, GPO used its authority to temporarily fund shortfalls through the Revolving Fund. In recent years, funding to provide Congress its printing services has been adequate, and no near-term shortfalls are anticipated.

There has been a steady decline in recent years in traditional printing and binding in the Federal government. Certain GPO performance measures (*i.e.*, chargeable hours and number of procured jobs processed) reflect the decline. To stem the adverse financial impact that would typically ensue, GPO has actively been: downsizing its workforce; reducing its operating costs; trying to attain a larger share of the federal printing market; and encouraging customers to adopt electronic-media products when cost effective.

Also, GPO has been pursuing avenues that will increase the efficiency and effectiveness of the overall Federal government. GPO and the Department of Commerce recently completed the second year of their 5-year strategic alliance. As a result of the alliance, GPO developed a secure, electronic version of the *Commerce Business Daily* (CBD) that allows Federal procurement offices worldwide to enter their solicitations to GPO's Internet Web-site. This CBD program, the 1997 recipient of the National Performance Review's Hammer Award, has reduced customer charges per electronic solicitation by 72 percent.

In 1998, GPO entered into reimbursable agreements with the Bi-cameral Commission on the Future of Medicare and the Census Monitoring Board. These agreements required GPO to provide each group with services beyond GPO's traditional printing and binding mission. For a small annual fee, GPO provides each group with complete payroll services. Also, GPO uses its existing infrastructure of Personnel Services, Materials Management Services, etc., to support each group. This has saved both groups the expense of maintaining administrative staffs to perform these functions, and frees their resources to focus on their objectives.

▪ Fiscal Year 1998 Financial Results

The public printing and documents chapters of Title 44, United States Code, require GPO to fulfill the printing needs of the Federal government and distribute government publications to the public. GPO activities are financed through a Revolving Fund, which is reimbursed by payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Superintendent of Documents Salaries and Expenses Appropriation. The two annual appropriations are used to reimburse GPO for costs incurred while performing congressional work and fulfilling statutory requirements associated with the distribution of government publications, respectively. Reimbursements from the appropriations to the Revolving Fund are recorded as revenue, and unexpended appropriations are returned to the U.S. Treasury after 5 years.

GPO experienced a consolidated net income of nearly \$1.4 million in fiscal year 1998, compared with a \$7.6 million net income in fiscal year 1997. Revenues decreased by \$31.7 million (4 percent) overall, while expenses decreased by \$25.5 million (3 percent). A significant portion of the fiscal year 1997 net income was attributable to a one-time, \$12.8 million, recovery of printing costs from Congress and the Depository Library Program for work performed in prior years (for details, see footnote 2D). For several years, GPO was unable to recover the full cost of printing due to a Congressionally mandated freeze on GPO plant rates. Congress had appropriated sufficient funds to cover all the cost but GPO was prevented from billing the total cost during the prior years due to the rate freeze. In fiscal year 1997, GPO was able to bill for the prior years' work that totaled \$12.8 million.

A summary of revenues and net income or loss in each GPO major operation is shown below.

GPO's Major Operations (Unaudited)

(Dollars in thousands)				
	1998		1997	
	Revenues	Net Income or (Loss)	Revenues	Net Income or (Loss)
Revolving Fund:				
Printing and binding operations:				
Purchased printing-				
Central	\$274,992	\$813	\$297,162	\$3,860
Regional	192,444	(7,684)	191,095	(6,313)
Subtotal	467,436	(6,871)	488,257	(2,453)
In-house printing-				
Central	189,213	11,712	195,865	8,507
Regional	1,534	(672)	2,171	(560)
Subtotal	190,747	11,040	198,036	7,947
Other	2,934	1,227	2,635	521
Subtotal of printing and binding operations	661,117	5,396	688,928	6,015
Information dissemination:				
Sales of publications	60,557	(3,626)	67,849	1,794
Agency distributions	5,077	(395)	4,850	(240)
Subtotal	65,634	(4,021)	72,699	1,554
Appropriations:				
Salaries and expenses	30,962	-	27,896	-
Congressional printing and binding	73,185	-	82,542	-
Subtotal	104,147	-	110,438	-
Total before eliminations	830,898	1,375	872,065	7,569
Eliminations (1)	(108,300)	-	(117,765)	-
Total after eliminations	\$722,598	\$1,375	\$754,300	\$7,569

(1) The eliminations include revenue recognized by one area of the GPO for products or services produced or provided to another area of GPO. In order to avoid recognizing the expense and revenue for intra-company transactions, eliminating entries must be made. In fiscal year 1998, major eliminations included printing work charged to the Congressional Printing and Binding Appropriation (\$73.2 million), publications printed for the Sales of Publications Program for resale to customers (\$16.8 million), and printing for programs funded by the Salaries and Expenses Appropriation (\$14.8 million).

▪ Fiscal Year 1999 Projections

GPO projects breakeven operations for fiscal year 1999. GPO estimates that revenue and expenses will increase slightly over 1998 figures, particularly in Printing and Binding Operations due primarily to the printing of materials for the Decennial Census. GPO will continue to develop and employ efficient business practices and production processes to contain costs where possible. Examples include: Production Operation's automated platemaking system and new passport production line, Printing Procurement's re-engineered procurement support system, and Superintendent of Documents Integrated Processing System. The GPO will continue to emphasize cost-effective methods of providing customer agencies and the public with government information and dissemination services.

GPO expects to meet or exceed the congressionally mandated full-time equivalent ceiling of 3,383 for fiscal year 1999, with no degradation in core products and services. This is possible primarily to efficiencies from recent investments in new technology and on-going automation efforts.

▪ Reporting Year 2000 Issues

With the publication of GPO Instruction 705.26 titled "GPO Year 2000 Program Guide" on March 16, 1998, the Year 2000 (Y2K) program/projects have been given the top priority with total support and commitment from GPO management. Following the publication of the above publication, several procedural guidance documents have been issued. As of January 7, 1999, GPO has placed 31 out of the 40 mission-critical systems into production as Y2K compliant.

GPO has contacted some of its business partners and is in the process of contacting the remaining partners to discuss and resolve issues regarding the Y2K compliance. If some of GPO's business partners are not ready to exchange Y2K compliant data, GPO will develop appropriate (front-end or back-end) software bridges to resolve the problems.

GPO's costs associated with the Y2K Program/Projects are as follows:

Year	Actual or Projected Cost
1996	\$343,000
1997	\$5,886,000
1998	\$12,889,000
1999	\$6,028,000
2000	\$431,000
Total	\$25,577,000

The projected costs (1999 & 2000) are our best estimate based upon the information presently available and include the costs associated with remediating the non-mission-critical applications and GPO's facilities.

There are certainly risks associated with any effort of this magnitude. These risks can range from power outages to production problems involving mission-critical systems. GPO is in the process of preparing contingency plans for its most critical systems. GPO does not anticipate any serious problems when we transition into the new century. However, unanticipated problems may arise. A likely worst case scenario for GPO will be any Y2K problems affecting the Congressional products and services which will jeopardize their timely delivery to the Congress.

GPO is progressing with its remediation/replacement plans to meet its Y2K challenges. In addition, GPO is in the process of preparing contingency plans for its most critical systems. These plans will be prepared in accordance with the GAO guidelines provided in its August 1998 publication titled "Year 2000 Computing Crisis: Business Continuity and Contingency Planning" and should be ready by the end of March 1999.

U. S. Government Printing Office
Consolidated Balance Sheets
as of September 30, 1998 and 1997
(Dollars in thousands)

Assets			
	1998	1997	
CURRENT ASSETS			
Funds with U.S. Treasury (Note 2E)	\$ 165,200	\$ 173,155	
Accounts receivable, net (Note 4)	154,917	143,151	
Inventories, net (Note 2F)	22,730	23,480	
Prepaid expenses	656	202	
Total current assets	343,503	339,988	
PROPERTY, PLANT, AND EQUIPMENT (Notes 2G & 5)			
Land and buildings	18,633	18,633	
Equipment and building improvements	184,304	175,729	
Total property, plant, and equipment	202,937	194,362	
Less: Accumulated depreciation and amortization	(129,124)	(121,601)	
Net property, plant, and equipment	73,813	72,761	
Total assets	\$ 417,316	\$ 412,749	

Liabilities and Equity of the U.S. Government			
	1998	1997	
CURRENT LIABILITIES			
Accounts payable and accrued expenses (Note 6)	\$ 81,452	\$ 84,778	
Deferred revenue (Note 7)	43,565	29,480	
Accrued annual leave (Note 2H)	11,331	11,270	
Total current liabilities	136,348	125,528	
OTHER LIABILITIES			
Workers' compensation liability (Notes 2K and 8)	28,881	31,772	
Total other liabilities	28,881	31,772	
Total liabilities	165,229	157,300	
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
EQUITY OF THE U.S. GOVERNMENT			
Revolving Fund (Note 11)			
Cumulative results of operations	100,045	98,669	
Invested capital	96,143	100,211	
Appropriated Funds (Note 12)	55,899	56,569	
Total equity of the U.S. government	252,087	255,449	
Total liabilities and equity of the U.S. government	\$ 417,316	\$ 412,749	

The accompanying notes are an integral part of these consolidated financial statements

U.S. Government Printing Office
Consolidated Statements of Revenues and Expenses
For the Fiscal Years Ended September 30, 1998 and 1997
(Dollars in thousands)

	1998		1997	
	Amount	Percent of Revenues	Amount	Percent of Revenues
REVENUES				
Printing and binding	\$ 553,730	76.6%	\$ 572,106	75.9%
Sales of publications	60,557	8.4	67,849	9.0
Appropriations	103,234	14.3	109,495	14.5
Reimbursements	5,077	0.7	4,850	0.6
Total revenues	722,598	100.0	754,300	100.0
EXPENSES				
Printing and reproduction	413,588	57.2	427,342	56.8
Personnel compensation and benefits	195,029	27.0	205,393	27.2
Supplies and materials	40,343	5.6	41,703	5.5
Rents, communications, and utilities	27,633	3.8	30,168	4.0
Publications sold	16,806	2.3	18,175	2.4
Depreciation and amortization	8,366	1.2	8,476	1.1
Other services	10,727	1.5	7,380	1.0
Surplus publications	2,963	0.4	2,509	0.3
Travel and transportation	5,768	0.8	5,585	0.7
Total expenses	721,223	99.8	746,731	99.0
NET INCOME	\$ 1,375	0.2%	\$ 7,569	1.0%

The accompanying notes are an integral part of these consolidated financial statements.

U.S. Government Printing Office
Consolidated Statements of Cash Flows
For the Fiscal Years Ended September 30, 1998 and 1997
(Dollars in thousands)

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,375	\$ 7,569
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	8,366	8,477
Depreciation expense funded from appropriated capital	(444)	(444)
Gain on disposal of property, plant, and equipment	(56)	(11)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	(11,767)	13,106
Inventories	750	2,739
Prepaid expenses	(454)	145
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	(3,325)	4,503
Deferred revenue	14,085	(7,814)
Accrued annual leave	61	200
Workers' compensation liability	(2,891)	4,235
Total adjustments	4,325	25,136
Net cash provided by operating activities	5,700	32,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(9,320)	(9,570)
Proceeds from sale of property, plant, and equipment	83	78
Net cash used in investing activities	(9,237)	(9,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in unexpended appropriations	(4,418)	309
Funds returned to U.S. Treasury from:		
Congressional Printing and Binding Appropriation	-	(7,447)
Net cash used in financing activities	(4,418)	(7,138)
NET INCREASE (DECREASE) IN FUNDS WITH U.S. TREASURY	(7,955)	16,075
FUNDS WITH U.S. TREASURY, beginning of year	173,155	157,080
FUNDS WITH U.S. TREASURY, end of year	\$ 165,200	\$ 173,155

The accompanying notes are an integral part of these consolidated financial statements

U.S. Government Printing Office
Notes to Consolidated Financial Statements
September 30, 1998 and 1997

1. Organization:

The U.S. Government Printing Office (GPO), a Legislative Branch agency, was established by the public printing and documents statutes of Title 44 of the U.S. Code. Congress enacted this legislation to provide to the Federal government an economic and efficient means for the production and procurement of congressional and agency printing and binding, and for the dissemination of information to the public. The Public Printer, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GPO. GPO discharges its responsibilities through the operation of a Revolving Fund and congressional appropriations.

2. Significant Accounting Policies:

A. Basis of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

B. Basis of Consolidation

The accompanying consolidated financial statements of GPO include the accounts of all funds under GPO control that have been established and maintained to account for the resources of GPO. All significant intra-agency balances and transactions have been eliminated in consolidation. In addition, in Fiscal Year 1998, GPO established reimbursable agreements with the Census Monitoring Board and the Bi-Cameral Commission on the Future of Medicare. Under these agreements, GPO, for a fee, provides administrative support services. Expenses incurred and the concomitant reimbursements have been removed from GPO's financial statements.

Intra-agency transactions that must be eliminated to consolidate GPO financial statements for the years ended September 30, 1998 and 1997, consisted of the following.

	(Dollars in thousands)	
	1998	1997
Printing and reproduction:		
Congressional printing and binding	\$73,185	\$82,542
Sales of publications	16,806	18,175
Salaries and expenses	14,790	12,654
GPO internal use	379	573
Total printing and reproduction	105,160	113,944
Data processing	2,227	2,878
Miscellaneous	913	3,418
Total	\$108,300	\$120,240

In addition, there is an elimination within the In-house Printing Program of revenues and expenses for services and other internal transactions (*e.g.*, internal-use forms, electronic repairs) provided to and by the In-house Printing Operations. This elimination was \$5,297,000 and \$5,264,000 for the years ended September 30, 1998 and 1997, respectively.

C. Methods of Funding

▪ **Revolving Fund** accounts are established to finance a continuing cycle of operations with receipts derived from operations. The GPO Revolving Fund is used to finance two major GPO programs: Printing and Binding Operations and Sales of Publications Operations.

Printing and Binding Operations accounts record transactions related to printing and binding performed for customer agencies and Congress. Sales of Publications Operations accounts are used to record transactions related to the sale of government publications and the distribution of publications on behalf of customer agencies.

▪ **General Fund** accounts record financial transactions arising under annual congressional appropriations. GPO operates two major programs that are financed in this manner: the Salaries and Expenses Appropriation and the Congressional Printing and Binding Appropriation.

The Salaries and Expenses Appropriation account records transactions for expenses incurred by the Superintendent of Documents for depository library distributions, international exchange distributions, other statutory distribution of publications, and for the cataloging and indexing of government publications.

The Congressional Printing and Binding Appropriation account is used to record printing and binding performed for Congress and for printing and binding publications authorized by law to be distributed without charge to recipients.

To the extent feasible, general and administrative expenses have been allocated among the various expense categories based on the estimated level of effort associated with each program.

D. Revenue Recognition and Expended Appropriations

▪ **In-house Printing and Binding** – By law, GPO must be reimbursed for printing and binding services by the customer agency. Consequently, all Revolving Fund revenues from in-house printing and binding work (work not commercially procured) are recognized on a value-added basis, *i.e.*, as work is performed.

The fiscal year 1997 total GPO and in-house printing revenue includes \$12.8 million of revenue from unexpended appropriations in prior years. The \$12.8 million represents the recovery of costs of performing work for the Congress during fiscal years 1994 and 1995 totaling \$11.5 million, and for Depository Libraries during fiscal years 1994, 1995, and 1996 totaling \$1.3 million. These funds had been appropriated and obligated but were not billed and collected at that time due to a restriction on increasing GPO prices, as required by law. This event did not reoccur in fiscal year 1998.

▪ **Commercially Procured Printing and Binding** – Revolving Fund revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial contractor to the requesting agency.

▪ **Distributing or Selling Publications** – Revolving Fund revenues from distributing or selling publications are recognized when the publications have been shipped or when the services have been performed.

▪ **Appropriation Revenues** – Appropriation revenues are recorded when the qualifying expenses are incurred. The amount of appropriations expended and the programs funded by appropriations are presented in Note 12A. Unexpended appropriations are recorded as a component of Equity of U.S. Government (see Note 12B). Obligated and unobligated appropriation balances are canceled after 5 years.

▪ **Deferred Revenues** - Deferred revenues result from the receipt of customer remittances for products or services that will be delivered or provided in the future. Deferred revenues are classified into the following categories: deferred subscription revenue, Customer deposits--held on account, Customer deposits--unfilled orders, and advanced billings to Federal agencies.

Deferred subscription revenue represents the value of the subscription service that has not yet been provided for products such as the *Congressional Record*, the *Federal Register*, and the *Commerce Business Daily*. The category, "Customer deposits--held on account," represents amounts received from customers for deposit in pre-established accounts to provide the

customer the convenience of sending periodic payments to pay for publications ordered, rather than remitting payments for every item ordered. "Customer deposits--unfilled orders," represents funds received for publications not available for immediate shipment. Revenue for these transactions will be recognized at the time the products (subscriptions, publications, etc.) are delivered. Finally, "Advanced billings to Federal agencies," are advance payments made by agencies to cover the cost of producing large printing orders. This revenue is recognized as work is completed.

E. Funds with U.S. Treasury

Funds with U.S. Treasury represent all unexpended balances in GPO's accounts with the Department of the Treasury. A breakdown of items included in GPO's funds with the U. S. Treasury as of September 30, 1998 and 1997 follows.

		(Dollars in thousands)	
		1998	1997
Revolving fund		\$110,938	\$106,114
Appropriations:			
	1993	-	1,521
	1994	2,210	4,181
	1995	6,095	8,836
	1996	8,151	10,030
	1997	14,369	41,848
	1998	22,573	-
Total appropriations		53,398	66,416
On-hand and in-transit		864	625
Total		\$165,200	\$173,155

In 1997, the U.S. General Accounting Office (GAO) defined restricted funds with U.S. Treasury for GPO as funds with U.S. Treasury held for customer deposit accounts and employees' accrued salaries and annual leave and cannot be used other than for those specific purposes. GPO had restricted funds with U.S. Treasury of \$46.9 million and \$28.7 million at September 30, 1998 and 1997, respectively. Also, the agreement between GPO and the Census Monitoring Board (CMB) provided for CMB funds to be reported on GPO's Treasury statements. GPO's "Year end Closing Statement" (TFS 2108) included \$3,843,000 in unexpended CMB appropriations that have been excluded from GPO's financial statements.

All appropriated funds were either expended or obligated at September 30, 1998 and 1997 (See note 12).

F. Inventories

The components of inventories as of September 30, 1998 and 1997 are as follows.

	(Dollars in thousands)	
	1998	1997
Publications for sale	\$11,093	\$10,523
Allowance for surplus publications	(2,393)	(2,526)
Publications for sale, net	8,700	7,997
Paper	6,450	7,281
Materials and supplies	9,532	9,949
Allowance for obsolescence	(1,952)	(1,747)
Paper, materials, and supplies, net	14,030	15,483
Inventories, net	\$22,730	\$23,480

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market, and are shown net of an allowance for surplus publications. The allowance for surplus publications is established for the estimated value of potentially obsolete or excess publications held in inventory. In fiscal year 1998, GPO established a category of historical publications, which will never be destroyed. The effect of this change was a reduction of the allowance for surplus publications account, and a corresponding decrease in surplus publications expense of \$361,000.

Paper, materials, and supplies inventory includes the cost of production material (e.g., blank paper, spare parts, ink, and book cloth), as well as the cost of administrative-use supplies. This inventory is valued at the lower of cost, using the weighted moving average cost method, or market, net of an allowance for materials and supplies obsolescence. There is no provision for paper obsolescence due to the frequency of use.

G. Property, Plant, and Equipment

Property and equipment purchases and additions are valued at cost. Printing equipment transferred to GPO from other Federal agencies is valued in accordance with JCP Regulation Number 26, *Government Printing and Binding Regulations*. This valuation approximates historical net cost.

Major alterations and renovations are capitalized while normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property and equipment is calculated on a straight-line basis over their respective estimated useful lives. The range of

estimated useful lives of GPO assets is as follows.

Category	Estimated Useful Life
Buildings and improvements	42 to 50 years
Plant machinery and equipment	5 to 20 years
Office machinery and equipment	5 years
Computer hardware	5 years
Computer software	3 years
Furniture and fixtures	5 years
Vehicles	3 to 6 years

Leasehold improvements are amortized over the lesser of their useful lives or lease terms.

H. Annual, Sick, and Other Types of Leave

Annual leave is accrued as a liability when earned, and the liability reduced when leave is used. Each year the annual leave liability is adjusted to reflect current pay rates. At September 30, 1998, the liability for accrued annual leave was \$11,331,000 compared with \$11,270,000 at September 30, 1997.

Sick leave and other types of non-vested leave are expensed when used. There is no limit on the amount of sick leave that may be accumulated, and no payment is made for unused sick leave.

I. Accounting for Intra-agency Activities

Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal government, including matters in which individual agencies may be an indirect party. Federal agencies are required to record or report only those financial matters for which they are directly responsible (GAO's Policies and Procedures Manual for Guidance of Federal Agencies, Title 2, "Accounting"). Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans (see Note 3) and certain legal situations (see Note 10A).

J. Statements of Cash Flows

The statements of cash flows identify cash receipts and payments and classify them into operating, investing, and financing activities. The disclosure of this information is intended to help assess the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds. For purposes of these statements, cash is considered to be Funds with U.S. Treasury, as defined in Note 2E.

K. Workers' Compensation Liability

The Workers' Compensation Liability (WCL) is the estimated liability for future compensation and medical benefits that GPO is or will be obligated to pay. GPO discounted the value of estimated future payments to reflect the time value of money and increased future payments for estimated cost of living adjustments and consumer price index increases. The probability of future payments was based on historical benefit payment patterns combined with current information related to individual benefit claims.

L. Change in Accounting Estimate

In fiscal year 1998, GPO changed an accounting estimate used to recognize revenue from the sale of basic and supplemental subscriptions in the Sales of Publications Program. Customers purchasing a basic subscription are entitled to supplements (updates) when they are issued by the publishing agency. Prior to 1998, GPO recognized 75 percent of the revenue from basic and supplement subscriptions when the basic was shipped. The remaining 25 percent was recognized evenly over the following 36 months, which is the average life cycle of a basic and its supplements. In 1998, a study reestimated that 65 percent of the revenue should be recognized upon shipment of the basic and the remaining 35 percent recognized evenly over the ensuing 36 months. This change in estimate resulted in a reduction in Sales of Publications revenue and an increase in the Deferred Subscription Revenue liability account of \$1.1 million in 1998.

M. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from these estimates.

N. Reclassification of Fiscal Year 1997 Balances

Certain reclassifications have been made to fiscal year 1997 balances to present them consistently with the fiscal year 1998 financial statements.

3. Employee Benefit Plans:

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and also makes payroll deductions from employees for their pension contribution. The required employer contributions are established by the U.S. Office of Personnel Management (OPM). OPM is responsible for government-wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees.

A. Civil Service Retirement System

The majority of GPO's employees were covered by the CSRS, a defined benefit plan, during fiscal years ending September 30, 1998 and 1997. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 9.01 percent in fiscal year 1998 (7.5 percent in fiscal year 1997) for *Congressional Record* indexers, investigators, and law officers, and 8.51 percent in fiscal year 1998 (7 percent in 1997) for all other employees. GPO's contributions were \$9.8 million and \$8.4 million for the years ended September 30, 1998 and 1997, respectively.

B. Federal Employees Retirement System

On January 1, 1987 the FERS commenced pursuant to Public Law 99-335. Using Social Security as a base, the FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary (defined contribution) plan. Employees hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984, were able to choose between joining this plan or remaining in CSRS. Unlike CSRS, FERS offers the Federal Government's Thrift Savings Plan (TSP), which requires GPO to contribute 1 percent of an enrolled employee's base pay, and additionally to match voluntary employee contributions up to 4 percent of base pay.

GPO (employer) contributions to FERS were 15.4 percent (16.9 percent in fiscal year 1997) for *Congressional Record* indexers, 23.3 percent (24.3 percent in 1997) for investigators and law officers, and 10.7 percent (11.4 percent in 1997) for all other employees covered under this plan. Total GPO contributions were \$4.6 million in each year. TSP requires GPO to contribute 1 percent of an enrolled employee's base pay, and additionally to match voluntary employee contributions up to 4 percent of base pay. Additional contributions of GPO's share to the TSP for the years ended September 30, 1998 and 1997, totaled \$1.7 million in fiscal year 1998 and \$1.5 million in fiscal year 1997.

C. Social Security System

GPO also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GPO contributes matching amounts of 6.2 percent of gross pay (up to \$68,400) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance Program. Payments to these programs for the years ended September 30, 1998 and 1997 totaled \$5.4 million and \$5.3 million, respectively.

D. Pension and Other Post-Employment Benefits Provided by Others

Statement of Federal Accounting Standards No. 5, *Accounting for Liabilities of the Federal Government*, requires federal agencies to follow Federal Accounting Standards to recognize their share of the "normal cost" of pension and other post-employment benefits provided by others. To the extent that normal costs exceed current contributions, the standard requires that

an additional expense be recognized, or offset, by imputed funding.

As a Legislative agency, GPO has elected to prepare its financial statements on the basis of generally accepted accounting principles rather than Federal Accounting Standards and accordingly has reflected only the current cost of these programs in its financial statements since OPM is responsible for funding the normal cost component.

4. Accounts Receivable:

Accounts receivable as of September 30, 1998 and 1997, consists of the following.

	(Dollars in thousands)	
	1998	1997
Federal Agencies:		
Unbilled completed work	\$120,667	\$107,445
Unbilled work in process	16,089	18,357
Billed completed work	17,876	16,400
Subtotal	154,632	142,202
Other receivables:		
The public	814	1,735
GPO employees	972	1,029
Subtotal	1,786	2,764
Total accounts receivable	156,418	144,966
Allowance for doubtful accounts	(1,501)	(1,815)
Total accounts receivable, net	\$154,917	\$143,151

The majority of GPO accounts receivable are due from other Federal agencies. Unbilled completed work results from the delivery of goods or the performance of services for which bills have not been presented. At September 30, 1998, this balance included finished work for which invoices have not been prepared of \$55.1 million, unbilled commercial printing of \$52.4 million, and finished work of \$12.7 million that will be collected via the U. S. Treasury's OPAC in October 1998.

Unbilled work in process represents the amount of work performed on customer orders as of September 30, 1998 and 1997, that by law must be reimbursed by GPO customers.

Employees' accounts receivable for fiscal year 1998 includes \$911,000 and \$53,000 owed by current and former employees, respectively, who were advanced leave. Leave indebtedness for employees is repaid in biweekly installments or by other GPO employees on their behalf, through the donated leave program.

5. Property, Plant, and Equipment:

Property, plant, and equipment as of September 30, 1998 and 1997 consisted of the following.

	(Dollars in thousands)			
	Acquisition Value	Accumulated Depreciation & Amortization	1998 Net Book Value	1997 Net Book Value
Land	\$9,977	\$ -	\$9,977	\$9,977
Buildings	8,656	8,656	-	-
Building improvements	55,166	36,516	18,650	20,382
Leasehold improvements	1,603	1,048	555	338
Plant machinery and equipment	81,397	57,856	23,541	25,060
Office machinery and equipment	19,355	13,902	5,453	4,915
Computer software	16,242	7,130	9,112	7,461
Furniture and fixtures	3,048	1,156	1,892	1,743
Vehicles	3,243	2,860	383	461
Capital improvements in process	256	-	256	-
Software development in process	3,994	-	3,994	2,424
Total	\$202,937	\$129,124	\$73,813	\$72,761

6. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses as of September 30, 1998 and 1997 were composed of the following.

	(Dollars in thousands)	
	1998	1997
Accounts payable:		
Commercial printing	\$50,548	\$50,630
U.S. Government agencies	15,420	17,805
Other	4,540	6,512
Total accounts payable	70,508	74,947
Accrued salaries and wages	10,154	9,032
State and local payroll taxes	790	799
Total accounts payable and accrued expenses	\$81,452	\$84,778

7. Deferred Revenue:

As of September 30, 1998 and 1997, deferred revenue consisted of the following.

	(Dollars in thousands)	
	1998	1997
Deferred subscription revenue	\$14,718	\$16,175
Customer deposits--held on account	24,700	7,883
Customer deposits--unfilled orders	1,362	1,433
Advanced billings to Federal agencies	2,785	3,989
Total	\$43,565	\$29,480

"Customer deposits--held on account" for printing and binding represent amounts received in advance from Federal agencies to cover future printing requirements. This is \$17.6 million of the \$24.7 million balance. The remainder constitutes customer deposits held for publication orders. At the time a customer closes a deposit account or cancels a subscription, the customer's unused account balance is refunded.

8. Summary of Significant Assumptions for Workers' Compensation Liability:

Projected annual benefit payments have been discounted to present value using the Office of

Management and Budget's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting purposes in 1998 and 1997 as provided by OMB were as follow.

	1998	1999	2000	2001	2002 and thereafter
1998	N/A	5.60	5.60	5.60	5.60
1997	6.24	5.82	5.60	5.45	5.40

Wage inflation factors (cost of living adjustment, or COLA) and medical inflation factors (consumer price index for medical costs, or CPIM) were used to calculate the estimated future compensation and medical payments. Retention rates were developed using data provided by the Department of Labor to estimate the claims that would continue being paid in the future. The retention rate of 91.07% was applied to current claims in addition to future COLA and CPIM factors. The COLA and CPIM factors used to develop the estimated liability at September 30, 1998 and 1997 follow.

	1999	2000	2001	2002 and thereafter
COLA	1.5%	1.7%	2.2%	2.3%
CPIM	3.6%	3.8%	3.9%	3.9%

The future payments were estimated over the life expectancy of each claimant. The life expectancy rates were based on annuity tables prepared by the Internal Revenue Service and used to estimate the expected remaining life of federal retirees for determining reportable taxable pension benefits.

The Workers' Compensation Liability is approximately \$28.9 million and \$31.8 million at September 30, 1998 and 1997, respectively.

9. Commitments:

A. Operating Leases

As of September 30, 1998, GPO was committed to various non-cancelable operating leases, primarily covering warehouse, office, and retail space. Some of these leases contain escalation

clauses and renewal options. A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year follows.

Fiscal Year	(Dollars in thousands)			
	Warehouse	Office	Retail	Total
1999	\$2,203	\$270	\$496	\$2,969
2000	1,576	247	380	2,203
2001	214	166	308	688
2002	-	89	240	329
2003	-	6	39	45
2004 and beyond	-	-	-	-
Total minimum lease payments	\$3,993	\$778	\$1,463	\$6,234

Rent expenses for the years ended September 30, 1998 and 1997, were \$5,958,000 and \$6,099,000, respectively.

B. Commitments on Undelivered Orders

Some of GPO's orders for goods and services have been placed, but have not been delivered at fiscal year-end. Total undelivered orders for all GPO activities were approximately \$91.7 million and \$111.5 million as of September 30, 1998 and 1997, respectively.

10. Contingencies:

A. Administrative proceedings, Legal actions, and Claims

GPO is a party to various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of GPO management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GPO.

Occasionally, GPO may be the named party, but another agency may administer and litigate the case. Amounts to be paid under any decision, settlement, or award pertaining thereto may be funded by those agencies. In most cases, tort claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a Special Judgment Fund maintained by the Department of the Treasury. Amounts paid from this fund on behalf of the GPO were \$17,300 and \$131,000 for the years ended September 30, 1998 and 1997, respectively, and are not reflected in the GPO's consolidated financial statements.

B. Year 2000 Computing Issue

The Year 2000 computing issue represents a significant challenge to the federal government. It is vulnerable to adverse effects of the Year 2000 issue as a result of, among other things, its dependence on computer systems to process financial transactions, deliver services, and perform operations; the age of and documentation for its existing computer systems; its need to interface with computer systems of other federal government agencies and other non-federal government organizations; its working capital to fund necessary remediation efforts; and its ability to complete necessary remediation prior to experiencing adverse consequences related to effects of the Year 2000 computing issue.

GPO faces unresolved issues related to the Year 2000 computing issue. GPO has developed a comprehensive plan and approach to address these challenges and monitors its activities against the plan. Management believes that its approach to addressing and remediating Year 2000 issues is comprehensive and appropriate. If the plan is successfully implemented, management believes that its mission critical systems will not experience adverse effects of the Year 2000 computing issue. However, due to the complexities of the Year 2000 computing issue, there can be no assurance: that a Year 2000 computing issue that may exist has been or will be identified; on the adequacy of GPO's Year 2000 remediation plans related to financial or operational issues; or on whether GPO is or will be Year 2000 compliant on a timely basis. Failure of GPO to successfully carry out and complete its comprehensive Year 2000 plan may result in changes in GPO's structure, operations, and mission; affect its ability to provide goods and services, or perform its mission, in a timely manner; and cause other operating disruptions.

11. Revolving Fund:

A. Cumulative Results of Operations

Cumulative results of operations for the Revolving Fund include net operating results since its inception, reduced by funds returned to the Department of the Treasury by legislative rescissions, and by transfers to other Federal agencies.

B. Invested Capital

Invested Capital represents Federal government resources directly appropriated to GPO by Congress to invest in GPO assets, primarily in land, buildings, equipment, and working capital. The Revolving Fund was established in 1953 with appropriated funds of \$33.8 million, and buildings and land with a fair market value of \$415,000. Subsequently, Congress provided additional funding to GPO for working capital (\$58 million since 1953) and land and other improvements (\$17.5 million since 1971).

Increases to Invested Capital are also recorded when printing equipment is donated to GPO. Invested Capital is reduced over the useful life of the donated asset or when retired. The net book value of assets donated to GPO from other agencies was \$398,000 and \$273,000 in fiscal years ending September 30, 1998 and 1997, respectively.

The Revolving Fund received appropriations totaling \$12.9 million during the 1970's for an air-conditioning system that was recorded as Invested Capital. Invested Capital is reduced annually by \$444,000 to reflect the air-conditioning system's depreciation.

In fiscal year 1998, Congress authorized that up to \$11,017,000 of GPO's invested capital to be used to supplement the 1998 Congressional Printing and Binding Appropriation. Based on fiscal year 1998 expenditures and obligations, and an estimate of funding required to complete all work obligated during the year, GPO transferred \$3,748,000 million to the 1998 Congressional Printing and Binding Appropriation, which was recorded as a reduction in invested capital.

C. Summary of Revolving Fund Activity

Below is a summary of activity for the Revolving Fund portion of Equity of U.S. Government in fiscal years ending September 30, 1998 and 1997. See Note 12 for Appropriated Funds summary.

	(Dollars in thousands)		
	Cumulative Results of Operations	Invested Capital	Total Revolving Fund
Revolving Fund balance, September 30, 1996	\$91,101	\$100,731	\$191,832
Donated equipment, net	-	(77)	(77)
Reclassification to transfer depreciation expense for air-conditioning system	-	(444)	(444)
Net income for fiscal year ending September 30, 1997	7,569	-	7,569
Revolving Fund balance, September 30, 1997	98,670	100,210	198,880
Donated equipment, net	-	125	125
Reclassification to transfer depreciation expense for air-conditioning system	-	(444)	(444)
Fund transfer from Revolving Fund to Congressional Printing and Binding Operation	-	(3,748)	(3,748)
Net income for fiscal year ending September 30, 1998	1,375	-	1,375
Revolving Fund balance, September 30, 1998	\$100,045	\$96,143	\$196,188

12. Appropriated Funds:

A. Expended Appropriations

Total appropriations initially made available for fiscal years ending September 30, 1998 and 1997, were \$70,652,000 and \$81,669,000 for Congressional Printing and Binding, respectively, and \$29,077,000 in both years for Salaries and Expenses of the Superintendent of Documents.

Expended appropriations for program operations for the years ending September 30, 1998 and 1997, were as follows.

	(Dollars in thousands)	
	1998	1997
Congressional printing and binding:		
Congressional Record products	\$17,337	\$23,559
Miscellaneous publications and printing and binding	16,799	20,703
Hearings	16,945	15,400
Bills, resolutions, and amendments	8,762	10,138
Details to Congress	2,504	2,225
Other	10,838	10,517
Total congressional printing and binding	73,185	82,542
Salaries and expenses:		
Depository library distribution	26,830	23,986
Cataloging and indexing	2,959	3,112
By-law distribution	558	458
International exchange	615	340
Total salaries and expenses	30,962	27,896
Total expended appropriations	\$104,147	\$110,438
Reconciliation of expended appropriations to the consolidated statements of revenues and expenses:		
Total expended appropriations	\$104,147	\$110,438
Eliminations (Intra-agency)	(913)	(943)
Consolidated revenues from appropriations	\$103,234	\$109,495

B. Unexpended Appropriations

As of September 30, 1998, GPO had unexpended appropriations that were obligated for Salaries and Expenses and Congressional Printing and Binding services of \$20,031,000 and \$35,868,000, respectively. At September 30, 1997, these amounts were \$21,916,000 and \$34,653,000, respectively.

13. Related-party Transactions:

The Refectory Cafe, Ltd. (RCL), a non-profit corporation chartered in the District of

Columbia in 1985, operated the GPO Cafeteria (Cafeteria) until November 18, 1994. The members of the Board of Directors of the RCL, who were appointed by a former Public Printer, were the current Public Printer, the former Deputy Public Printer, and one senior-level GPO manager.

From its incorporation through November 18, 1994, the Cafeteria sustained cumulative losses of approximately \$600,000. In fiscal year 1995, GPO paid approximately \$100,000 to satisfy the RCL's creditors, as the Cafeteria was unable to meet these obligations. In fiscal year ending September 30, 1997, GPO and Massachusetts Mutual Life Insurance Company, the RCL's Pension Plan trustee, settled with all vested former Cafeteria employees. After liquidation of the Pension, \$140,000 was deposited in the GPO Revolving Fund to offset GPO's expenditures in fiscal years 1995 and earlier.

14. Concentration of Credit Risk:

GPO financial instruments, none of which are held for trading purposes, consist primarily of cash and cash equivalents, accounts receivable, and accounts payable at September 30, 1998 and 1997. GPO estimates the fair value of financial instruments at September 30, 1998 and 1997 to be the carrying value. Cash and cash equivalents are held by the U.S. Treasury, accounts receivable are primarily due from various U.S. Government agencies, and the accounts payable are primarily due to various commercial vendors.

15. Major Customers:

GPO's primary customers are Federal agencies. Revenues from those customers representing 10% or more of GPO's revenues are as follows.

	(Dollars in thousands)			
	1998		1997	
	Amount	Percent	Amount	Percent
Department of Defense	\$148,947	20.6%	\$156,618	20.8%
Department of U.S. Treasury	\$82,427	11.4%	\$88,024	11.7%
Congress	\$80,643	11.2%	\$75,368	10.0%

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Balance Sheet by Fund Type
As of September 30, 1998
(Dollars in thousands)
(Unaudited)

	Revolving Fund		General Fund					
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriations	Total Before Eliminations	Eliminations	Consolidated	
ASSETS								
CURRENT ASSETS								
Funds with U.S. Treasury	\$ 85,959	\$ 25,843	\$ 21,278	\$ 32,120	\$ 165,200	\$ -	\$ 165,200	
Accounts receivable, net:								
From other Federal agencies	162,825	2,308	173	3,748	169,054	(15,657)	153,397	
From the public	274	321	-	-	595	-	595	
From GPO employees	925	-	-	-	925	-	925	
Inventories:								
Publications for sale, net	-	8,700	-	-	8,700	-	8,700	
Paper	6,450	-	-	-	6,450	-	6,450	
Materials and supplies, net	7,580	-	-	-	7,580	-	7,580	
Prepaid expenses	656	-	-	-	656	-	656	
Total current assets	264,669	37,172	21,451	35,868	359,160	(15,657)	343,503	
PROPERTY, PLANT, AND EQUIPMENT								
Land and buildings	18,633	-	-	-	18,633	-	18,633	
Building improvements	55,166	-	-	-	55,166	-	55,166	
Leasehold improvements	1,603	-	-	-	1,603	-	1,603	
Plant machinery and equipment	81,397	-	-	-	81,397	-	81,397	
Office machinery and equipment	19,355	-	-	-	19,355	-	19,355	
Computer software	16,242	-	-	-	16,242	-	16,242	
Furniture and fixtures	3,048	-	-	-	3,048	-	3,048	
Vehicles	3,243	-	-	-	3,243	-	3,243	
Capital improvements in process	256	-	-	-	256	-	256	
Software development in process	3,994	-	-	-	3,994	-	3,994	
Less: Accumulated depreciation and amortization	(129,124)	-	-	-	(129,124)	-	(129,124)	
Net property, plant, and equipment	73,813	-	-	-	73,813	-	73,813	
Total assets	\$ 338,482	\$ 37,172	\$ 21,451	\$ 35,868	\$ 432,973	\$ (15,657)	\$ 417,316	

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Balance Sheet by Fund Type
 As of September 30, 1998
 (Dollars in thousands)
 (Unaudited)

	Revolving Fund		General Fund					
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriations	Total Before Eliminations	Eliminations	Consolidated	
LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	\$ 86,413	\$ 9,276	\$ 1,420	\$ -	\$ 97,109	\$ (15,657)	\$ 81,452	
Deferred revenue	20,424	23,141	-	-	43,565	-	43,565	
Accrued annual leave	11,331	-	-	-	11,331	-	11,331	
Total current liabilities	118,168	32,417	1,420	-	152,005	(15,657)	136,348	
OTHER LIABILITIES								
Workers' compensation liability	28,881	-	-	-	28,881	-	28,881	
Total other liabilities	28,881	-	-	-	28,881	-	28,881	
Total liabilities	147,049	32,417	1,420	-	180,886	(15,657)	165,229	
Commitments and contingencies (Note 9)								
EQUITY OF THE U.S. GOVERNMENT								
Revolving fund	191,433	4,755	-	-	196,188	-	196,188	
Appropriated funds	-	-	20,031	35,868	55,899	-	55,899	
Total Equity of the U.S. Government	191,433	4,755	20,031	35,868	252,087	-	252,087	
Total liabilities and equity of the U.S. Government	\$ 338,482	\$ 37,172	\$ 21,451	\$ 35,868	\$ 432,973	\$ (15,657)	\$ 417,316	

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Schedule of Revenues and Expenses by Fund Type
For the Year Ended September 30, 1998
(Dollars in thousands)
(Unaudited)

	Revolving Fund		General Fund		Total Before Eliminations	Eliminations	Consolidated
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation			
REVENUES							
Printing and Binding	\$ 661,117	\$ -	\$ -	\$ -	\$ 661,117	\$ (107,387)	\$ 553,730
Sales of Publications	-	60,557	-	-	60,557	-	60,557
Appropriations	-	-	30,962	73,185	104,147	(913)	103,234
Reimbursements	-	5,077	-	-	5,077	-	5,077
Total Revenues	661,117	65,634	30,962	73,185	830,898	(108,300)	722,598
EXPENSES							
Printing and reproduction	430,393	380	14,790	73,185	518,748	(105,160)	413,588
Personnel compensation and benefits	159,120	29,189	8,427	-	196,736	(1,707)	195,029
Supplies and materials	38,514	1,411	511	-	40,436	(93)	40,343
Rents, communications, and utilities	12,430	14,126	1,347	-	27,903	(270)	27,633
Publications sold	-	16,806	-	-	16,806	-	16,806
Depreciation and amortization	6,586	1,434	346	-	8,366	-	8,366
Other services	6,169	1,482	4,146	-	11,797	(1,070)	10,727
Surplus publications	-	2,963	-	-	2,963	-	2,963
Travel and transportation	2,509	1,864	1,395	-	5,768	-	5,768
Total Expenses	655,721	69,655	30,962	73,185	829,523	(108,300)	721,223
NET INCOME (LOSS)	\$ 5,396	\$ (4,021)	\$ -	\$ -	\$ 1,375	\$ -	\$ 1,375

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Schedule of Cash Flows by Fund Type
 For the Year Ended September 30, 1998
 (Dollars in thousands)
 (Unaudited)

	Revolving Fund		General Fund					
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriations	Total Before Eliminations	Eliminations	Consolidated	
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income	\$ 5,397	\$ (4,022)	\$ -	\$ -	\$ 1,375	\$ -	\$ 1,375	
Adjustments to net income:								
Depreciation and amortization	8,366	-	-	-	8,366	-	8,366	
Depreciation expense funded from appropriated capital	(444)	-	-	-	(444)	-	(444)	
Gain on disposal of property, plant, and equipment	(56)	-	-	-	(56)	-	(56)	
Changes in assets and liabilities:								
(Increase) decrease in assets-								
Accounts receivable	(6,259)	241	214	(3,748)	(9,552)	(2,215)	(11,767)	
Inventories	1,452	(702)	-	-	750	-	750	
Prepaid expenses	(454)	-	-	-	(454)	-	(454)	
Increase (decrease) in liabilities-								
Accounts payable and accrued expenses	1,118	2,156	(1,355)	(7,459)	(5,540)	2,215	(3,325)	
Deferred revenue	15,920	(1,835)	-	-	14,085	-	14,085	
Accrued annual leave	61	-	-	-	61	-	61	
Workers' compensation liability	(2,891)	-	-	-	(2,891)	-	(2,891)	
Total adjustments	16,813	(140)	(1,141)	(11,207)	4,325	-	4,325	
Net cash provided by (used in) operating activities	22,210	(4,162)	(1,141)	(11,207)	5,700	-	5,700	
CASH FLOWS FROM INVESTING ACTIVITIES								
Capital expenditures	(9,320)	-	-	-	(9,320)	-	(9,320)	
Proceeds from sale of property, plant, and equipment	83	-	-	-	83	-	83	
Net cash used in investing activities	(9,237)	-	-	-	(9,237)	-	(9,237)	
CASH FLOWS FROM FINANCING ACTIVITIES								
Increase in unexpended appropriations	-	-	(1,885)	(2,533)	(4,418)	-	(4,418)	
Funds returned to U.S. Treasury from:								
Congressional Printing and Binding Appropriation	-	-	-	-	-	-	-	
Salaries and Expenses Appropriation	-	-	-	-	-	-	-	
Net cash used in financing activities	-	-	(1,885)	(2,533)	(4,418)	-	(4,418)	
NET INCREASE (DECREASE) IN FUNDS WITH U.S. TREASURY	12,973	(4,162)	(3,026)	(13,740)	(7,955)	-	(7,955)	
FUNDS WITH U.S. TREASURY, beginning of year	76,735	30,006	24,303	42,111	173,155	-	173,155	
FUNDS WITH U.S. TREASURY, end of year	\$ 89,708	\$ 25,844	\$ 21,277	\$ 28,371	\$ 165,200	\$ -	\$ 165,200	

U.S. GOVERNMENT PRINTING OFFICE
Supplemental Schedule of Appropriated Funds
For the Years Ended September 30, 1998 and 1997
(Dollars in thousands)
(Unaudited)

	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total General Fund	
			1998	1997
APPROPRIATIONS, beginning of year (on cash basis)	\$ 24,305	\$ 42,111	\$ 66,416	\$ 67,165
FUNDS PROVIDED - Appropriations	29,077	70,652	99,729	110,746
- Financed from Revolving Fund	-	3,748	3,748	-
Total funds available	53,382	116,511	169,893	177,911
FUNDS APPLIED				
Obligated appropriations:				
Current year	20,706	60,198	80,904	68,898
Prior years	11,398	24,193	35,591	35,150
Funds returned to U.S. Treasury	-	-	-	7,447
Total funds applied	32,104	84,391	116,495	111,495
APPROPRIATIONS, end of year (on cash basis)	21,278	32,120	53,398	66,416
ADJUSTMENTS				
Intra-agency accounts receivable	173	3,748	3,921	387
Intra-agency accounts payable	(1,420)	-	(1,420)	(10,234)
APPROPRIATIONS, end of year (on accrual basis)	\$ 20,031	\$ 35,868	\$ 55,899	\$ 56,569

U.S. GOVERNMENT PRINTING OFFICE
Supplemental Schedule of Balance Sheets for Revolving Fund
 As of September 30, 1998 and 1997
 (Dollars in thousands)
 (Unaudited)

	Printing and Binding Operations		Sales of Publications Operations		Total Revolving Fund 1998		
	1998	1997	1998	1997	Before Eliminations	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Funds with U.S. Treasury	\$ 85,959	\$ 76,733	\$ 25,843	\$ 30,006	\$ 111,802	\$ -	\$ 111,802
Accounts receivable	164,024	157,766	2,629	2,871	166,653	(15,657)	150,996
Inventories	14,030	15,483	8,700	7,996	22,730	-	22,730
Prepaid expenses	656	202	-	-	656	-	656
Total current assets	264,669	250,184	37,172	40,873	301,841	(15,657)	286,184
PROPERTY, PLANT, AND EQUIPMENT							
Land and buildings	18,633	18,633	-	-	18,633	-	18,633
Building improvements	55,166	55,033	-	-	55,166	-	55,166
Leasehold improvements	1,603	1,267	-	-	1,603	-	1,603
Plant machinery and equipment	81,397	80,811	-	-	81,397	-	81,397
Office machinery and equipment	19,355	17,296	-	-	19,355	-	19,355
Computer software	16,242	12,999	-	-	16,242	-	16,242
Furniture and fixtures	3,048	2,623	-	-	3,048	-	3,048
Vehicles	3,243	3,276	-	-	3,243	-	3,243
Capital improvements in process	256	-	-	-	256	-	256
Software development in process	3,994	2,424	-	-	3,994	-	3,994
Less: Accumulated depreciation and amortization	(129,124)	(121,601)	-	-	(129,124)	-	(129,124)
Net property, plant, and equipment	73,813	72,761	-	-	73,813	-	73,813
Total assets	\$ 338,482	\$ 322,945	\$ 37,172	\$ 40,873	\$ 375,654	\$ (15,657)	\$ 359,997

U.S. GOVERNMENT PRINTING OFFICE
Supplemental Schedule of Balance Sheets for Revolving Fund
 As of September 30, 1998 and 1997
 (Dollars in thousands)
 (Unaudited)

	Printing and Binding Operations		Sales of Publications Operations		Total Revolving Fund 1998		
	1998	1997	1998	1997	Before Eliminations	Eliminations	Consolidated
LIABILITIES AND EQUITY OF THE U.S. GOVERNMENT							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 86,413	\$ 85,297	\$ 9,276	\$ 7,119	\$ 95,689	\$ (15,657)	\$ 80,032
Deferred revenue	20,424	4,503	23,141	24,977	43,565	-	43,565
Accrued annual leave	11,331	11,270	-	-	11,331	-	11,331
Total current liabilities	118,168	101,070	32,417	32,096	150,585	(15,657)	134,928
OTHER LIABILITIES							
Workers' compensation liability	28,881	31,772	-	-	28,881	-	28,881
Total other liabilities	28,881	31,772	-	-	28,881	-	28,881
Total liabilities	147,049	132,842	32,417	32,096	179,466	(15,657)	163,809
EQUITY OF THE U.S. GOVERNMENT							
Revolving fund	191,433	190,103	4,755	8,777	196,188	-	196,188
Appropriated funds	-	-	-	-	-	-	-
Total equity of the U.S. Government	191,433	190,103	4,755	8,777	196,188	-	196,188
Total liabilities and equity of the U.S. Government	\$ 338,482	\$ 322,945	\$ 37,172	\$ 40,873	\$ 375,654	\$ (15,657)	\$ 359,997

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Schedule of Revenues and Expenses by Major Program
FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1997
(Dollars in thousands)
(Unaudited)

	Printing and Binding Operations		Information Dissemination Operations		Congressional Printing and Binding		Other Operations		Total GPO Before Eliminations		Eliminations		Total GPO	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
REVENUES:														
Printing and binding	\$644,050	\$670,694	\$ -	\$ -	\$ -	\$ -	\$ 2,934	\$ 2,635	\$646,984	\$673,329	\$ (107,387)	\$ (116,822)	\$539,597	\$556,507
Sales of blank paper	13,711	15,221	-	-	-	-	-	-	13,711	15,221	-	-	13,711	15,221
Sales of waste and scrap	422	378	-	-	-	-	-	-	422	378	-	-	422	378
Sales of publications	-	-	60,557	67,849	-	-	-	-	60,557	67,849	-	-	60,557	67,849
Appropriations	-	-	30,962	27,896	73,185	82,542	-	-	104,147	110,438	(913)	(943)	103,234	109,495
Reimbursements	-	-	5,077	4,850	-	-	-	-	5,077	4,850	-	-	5,077	4,850
Total revenues	658,183	686,293	96,596	100,595	73,185	82,542	2,934	2,635	830,898	872,065	(108,300)	(117,765)	722,598	754,300
EXPENSES:														
Printing and reproduction	430,393	445,517	15,170	13,227	73,185	82,542	-	-	518,748	541,286	(105,160)	(113,944)	413,588	427,342
Personnel compensation and benefit	158,912	168,692	37,616	38,637	-	-	208	371	196,736	207,700	(1,707)	(2,307)	195,029	205,393
Supplies and materials	38,500	39,872	1,922	1,933	-	-	14	25	40,436	41,830	(93)	(127)	40,343	41,703
Rents, communications, and utilities	11,756	14,412	15,473	15,438	-	-	674	687	27,903	30,537	(270)	(369)	27,633	30,168
Publications sold	-	-	16,806	18,175	-	-	-	-	16,806	18,175	-	-	16,806	18,175
Depreciation and amortization	5,909	6,236	1,780	1,609	-	-	677	631	8,366	8,476	-	-	8,366	8,476
Other services	6,035	3,788	5,628	4,211	-	-	134	399	11,797	8,398	(1,070)	(1,018)	10,727	7,380
Surplus publications	-	-	2,963	2,509	-	-	-	-	2,963	2,509	-	-	2,963	2,509
Travel and transportation	2,509	2,283	3,259	3,302	-	-	-	-	5,768	5,585	-	-	5,768	5,585
Total expenses	654,014	680,800	100,617	99,041	73,185	82,542	1,707	2,113	829,523	864,496	(108,300)	(117,765)	721,223	746,731
NET INCOME (LOSS)	\$ 4,169	\$ 5,493	\$ (4,021)	\$ 1,554	\$ -	\$ -	\$ 1,227	\$ 522	\$ 1,375	\$ 7,569	\$ -	\$ -	\$ 1,375	\$ 7,569

U.S. GOVERNMENT PRINTING OFFICE
Supplemental Schedule of Revenues and Expenses for Printing and Binding Operations
For the Years Ended September 30, 1998 and 1997
(Dollars in thousands)
(Unaudited)

	Plant Printing Operations				Total In-House Printing				Purchased Printing				Total Printing and Binding Operations			
	Regional Printing				Percent of Revenue		Percent of Revenue		Percent of Revenue		Percent of Revenue		Percent of Revenue		Percent of Revenues	
	1998	1997	1998	1997	1998		1997		1998		1997		1998		1997	
REVENUES																
Printing and binding	\$175,080	\$180,266	\$ 1,534	\$ 2,171	\$176,614	93	\$182,437	92	\$467,436	100	\$488,257	100	\$644,050	98	\$670,694	98
Sales of blank paper	13,711	15,221	-	-	13,711	7	15,221	8	-	-	-	-	13,711	2	15,221	2
Sales of waste and scrap	422	378	-	-	422	0	378	0	-	-	-	-	422	0	378	0
Total revenues	189,213	195,865	1,534	2,171	190,747	100	198,036	100	467,436	100	488,257	100	658,183	100	686,293	100
EXPENSES																
Printing and reproduction	-	-	-	-	-	-	-	-	430,393	93	445,517	92	430,393	65	445,517	64
Personnel compensation and benefits	123,187	133,241	1,491	1,595	124,678	65	134,836	68	34,234	7	33,856	7	158,912	24	168,692	25
Supplies and materials	36,874	38,297	267	539	37,141	19	38,836	20	1,359	0	1,036	0	38,500	6	39,872	6
Rents, communications, and utilities	6,441	6,234	333	370	6,774	4	6,604	3	4,982	1	7,808	2	11,756	2	14,412	2
Depreciation and amortization	5,438	5,759	57	107	5,495	3	5,866	3	414	0	370	0	5,909	1	6,236	1
Other services	4,795	3,029	46	56	4,841	3	3,085	2	1,194	0	703	0	6,035	1	3,788	1
Travel and transportation	769	798	10	65	779	0	863	0	1,730	0	1,420	0	2,509	0	2,283	0
Total expenses	177,504	187,358	2,204	2,732	179,708	94	190,090	96	474,306	101	490,710	101	654,014	99	680,800	99
NET INCOME (LOSS)	\$ 11,709	\$ 8,507	\$ (670)	\$ (561)	\$ 11,039	6	\$ 7,946	4	\$ (6,870)	(1)	\$ (2,453)	(1)	\$ 4,169	1	\$ 5,493	1

U.S. GOVERNMENT PRINTING OFFICE
Supplemental Schedule of Revenues and Expenses for Information Dissemination
 For the Years Ended September 30, 1998 and 1997
 (Dollars in thousands)
 (Unaudited)

	Sales of Publications Programs				Agency Distribution Services				Salaries and Expenses Programs				Total Information Dissemination			
	Percent of 1998 Revenue		Percent of 1997 Revenue		Percent of 1998 Revenue		Percent of 1997 Revenue		Percent of 1998 Revenue		Percent of 1997 Revenue		Percent of 1998 Revenue		Percent of 1997 Revenues	
REVENUES																
Sales of publications	\$ 60,557	100	\$ 67,849	100	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 60,557	63	\$ 67,849	67
Appropriations	-	-	-	-	-	-	-	-	30,962	100	27,896	100	30,962	32	27,896	28
Reimbursements	-	-	-	-	5,077	100	4,850	100	-	-	-	-	5,077	5	4,850	5
Total revenues	60,557	100	67,849	100	5,077	100	4,850	100	30,962	100	27,896	100	96,596	100	100,595	100
EXPENSES																
Printing and reproduction	309	1	429	1	71	1	144	3	14,790	48	12,654	45	15,170	16	13,227	13
Personnel compensation and benefits	26,309	43	27,516	41	2,880	57	2,491	51	8,427	27	8,630	32	37,616	39	38,637	39
Supplies and materials	1,277	2	1,303	2	134	3	122	3	511	2	508	2	1,922	2	1,933	2
Rents, communications, and utilities	12,173	20	11,861	16	1,953	39	2,060	42	1,347	4	1,517	5	15,473	16	15,438	15
Publications sold	16,806	28	18,175	26	-	-	-	-	-	-	-	-	16,806	17	18,175	18
Depreciation and amortization	1,276	2	1,109	2	158	3	104	2	346	1	396	1	1,780	2	1,609	2
Other services	1,313	2	1,194	2	169	3	122	3	4,146	13	2,895	10	5,628	6	4,211	4
Surplus publications	2,963	5	2,509	4	-	-	-	-	-	-	-	-	2,963	3	2,509	2
Travel and transportation	1,757	3	1,960	3	107	2	46	1	1,395	5	1,296	5	3,259	3	3,302	3
Total expenses	64,183	106	66,056	97	5,472	108	5,089	105	30,962	100	27,896	100	100,617	104	99,041	98
NET (LOSS) INCOME	\$ (3,626)	(6)	\$ 1,793	3	\$ (395)	(8)	\$ (239)	(5)	\$ -	-	\$ -	-	\$ (4,021)	(4)	\$ 1,554	2



United States Government Printing Office
Washington, DC 20401

OFFICE OF THE PUBLIC PRINTER

February 8, 1999

Mr. John Farrell
KPMG LLP
2001 M Street, NW
Washington, DC 20036

Dear Mr. Farrell:

In connection with your examination of our assertion regarding internal controls of the United States Government Printing Office (GPO) as of September 30, 1998, we make the following representations:

1. GPO managers are responsible for ensuring the existence and effective operation of internal controls over the day-to-day operations including the operation of a Revolving Fund and two separate Congressional appropriation accounts.
2. Management has evaluated the effectiveness of internal controls for the aforementioned entity as of September 30, 1998, as part of the evaluation performed using the guidance of Office of Management and Budget Circular No. A-123 (Revised June 1995), *Management Accountability and Control*. Based on that evaluation, management believes that as of September 30, 1998, GPO maintained effective internal controls, the objectives of which are to provide management with reasonable, but not absolute, assurance of:
 - a. Reliable financial reporting. Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in conformity with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition.
 - b. Compliance with applicable laws and regulations. Transactions are executed in accordance with: (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (b) any other laws and regulations or government-wide policies that entity management or the Inspectors General have identified as being significant for which compliance can be objectively measured and evaluated.

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There have been no changes subsequent to September 30, 1998, that would significantly affect internal controls.

Sincerely,


MICHAEL F. DiMARIO
Public Printer